GAO PERSONNEL REFORM: DOES IT MEET EXPECTATIONS?

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE, AND THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM HOUSE OF REPRESENTATIVES

AND THE

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MAY 22, 2007

Serial No. 110–50

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CONTENTS

GAO PERSONNEL REFORM: DOES IT MEET EXPECTATIONS?

TUESDAY, MAY 22, 2007

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE, AND THE DISTRICT OF COLUMBIA, COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM, JOINT WITH THE U.S. SENATE, SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA, COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS,

Washington, DC.

The subcommittees met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Danny K. Davis (chairman of the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia) presiding.

Present: Representatives Davis of Illinois, Marchant, Norton, McHugh, Sarbanes, Kucinich, Clay, Lynch, Cummings, and Issa.

Also present: Senators Akaka and Voinovich.

Staff present from the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia: Tania Shand, staff director; Caleb Gilchrist, professional staff member; Lori Hayman, counsel; Cecelia Morton, clerk, LaKeshia Myers, editor/staff assistant; John Brosnan, minority senior procurement counsel; and Alex Cooper, minority professional staff member.

Staff present from the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia: Jennifer Tyree, chief counsel; Thomas Richards, professional staff member; Emily Marthaler, chief clerk; Richard Kessler, staff director; Theresa Manthripragada, minority professional staff member; and Jennifer Hemingway, minority staff director.

Mr. DAVIS OF ILLINOIS. The subcommittees will come to order.

Welcome Chairman Daniel Akaka, Ranking Member Marchant, Ranking Member Voinovich and members of both Senate and House subcommittees, hearing witnesses, and all of those in attendance. Welcome to a joint House and Senate hearing on GAO Personnel Reform: Does It Meet Expectations?

Hearing no objection, the Chairs, ranking members and both subcommittee members will each have 5 minutes to make opening statements and all Members will have 3 days to submit statements for the record.

Again, thank you all for coming, and I will begin.

Good morning, Chairman Akaka and Ranking Member Voinovich, Ranking Member Marchant, and I welcome you and your colleagues to the House and this joint hearing on GAO's personnel reforms.

The subcommittees thank the witnesses, some of whom have traveled here from out of town at their own expense to participate in today's hearing.

This is an important hearing. It is important because GAO historically has been viewed by the Congress and the Federal community as a model agency in the area of personnel reform. It was against this backdrop that GAO was granted broad authority with the passage of the Human Capital Reform Act of 2004, Human Capital II, to implement a new personnel management system.

GAO gained its new personnel authority during a period when other major executive branch agencies were also receiving authorization to undertake major personnel reforms. Two of those agencies, the Department of Homeland Security and the Department of Defense, have since been mired in court challenges brought by employee organizations that have questioned both the legality and fairness of the new personnel rules and procedures that have been implemented. We have also seen efforts undertaken within Congress to address the problems that have been identified.

The situation that has unfolded at GAO is of particular concern to me as well as many of colleagues because it involves a legislative branch agency. It is close to home. It involves the agency we rely on to ensure that others do right.

That is why for the last 15 months, the subcommittees have been researching and now investigating GAO's implementation of Human Capital II. What we have uncovered provides the basis for some very considerable concerns.

The Comptroller General has testified on numerous occasions that the new personnel systems being launched across the government must be "modern, effective, and credible and must have validated performance management systems in place with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms to ensure fairness and prevent politicization and abuse."

I agree with him on that point. That is part of what my colleagues and I want, but there is more. GAO also recommended that new performance management systems contain: meaningful distinctions in individual employee performance; involve employees and stakeholders in designing the system; have employee buy-in; and achieve consistency, equity and nondiscrimination.

Here, again, I agree. These are the standards, the prism through which new personnel systems must be evaluated and judged. However, when applying them to GAO itself, our staffs have uncovered a record of noncompliance that is troubling and that warranted the extraordinary joint hearing that we are conducting today.

Beginning in November 2005, increasing numbers of GAO employees began calling our subcommittee about GAO's new personnel system. By February 2006, GAO employees were complaining that the Comptroller General had not kept his promise to Congress and had denied annual across the board increases to employees who met and even exceeded their performance expectations.

GAO's management responded that these were just a few disgruntled employees or employees having difficulty adjusting to change.

The key question for the subcommittee was whether the concerns raised had merit. These employees were not represented by a union and their concerns were not being addressed by GAO, so they came to the place they viewed as their last hope, the Congress itself.

As much as I, and other Members, congressional staff, the Federal community and the public hold GAO in high esteem, it must be subject to the same level of oversight and accountability as other Federal agencies. GAO helps Congress hold other agencies accountable for their actions. The only body that can hold GAO accountable for its action is Congress.

As it pertains to employees' claims that the Comptroller General did not keep his commitment to Congress, subcommittee staff searched the congressional record and reviewed House and Senate testimony that the Comptroller General delivered in 2003 in connection with Human Capital II. Staff also reviewed House and Senate committee reports, GAO's Employee Advisory Council 2003 testimony, GAO's own annual reports, Member statements and asked the Congressional Research Service to examine the issue.

The record reflects that the Comptroller General told Congress that GAO employees would receive an annual across the board increase unless they were performing poorly or the agency was experiencing severe budgetary constraints.

In March 2006, in response to questions submitted by Representative Hoyer at a GAO appropriations hearing on the issue, the Comptroller General acknowledges his commitment but said that his views changed as a result of a Watson Wyatt compensation-based study that led to a split in Band II and the finding that some, 308 GAO employees, were being overpaid.

The employees, on the other hand, said that they were never involved in the Watson Wyatt study process and were not provided any of the documentation to support the claim that they were overpaid.

The subcommittee determined that the concept of splitting Band II arose with the result a job questionnaire administered to GAO employees by Personnel Decisions Research Institute in 2000. Furthermore, in its 2004 contract with Watson Wyatt, GAO requested compensation ranges not for the three bands that existed at GAO at the time but for four pay bands: Band I, Band IIA, Band IIB and Band III.

The fact is the idea of splitting Band II predated the Watson Wyatt study by approximately 4 years and that Watson Wyatt provided compensation ranges that reflected a split in Band II because that was what GAO asked them to do.

The subcommittee also found that the job descriptions that were used to survey jobs for the compensation study were written by GAO and vetted by approximately 30 senior level managing directors and 3 members of GAO's Employee Advisory Council [EAC]. The senor level managers also validated the job matches that Watson Wyatt proposed for the compensation study.

The fact is that the analysts employed at GAO that were affected by this process were not substantively involved. The employees were advised and kept up to date as to what was transpiring, but they had no real input.

The subcommittee, like GAO employees, had difficulty getting information on GAO's restructuring and the Watson Wyatt study. In early 2005, the subcommittee was initially provided one set of Watson Wyatt slides that outlined its compensation study for GAO. However, it was not until I, as chairman of the subcommittee, demanded that GAO provide all documentation and communications pertaining to the Watson Wyatt study that the materials requested were received.

Members of Washington, DC Delegation and Members who support the Federal community, each year, fight for pay parity for Federal employees. We fight for Federal employees to receive an annual across the board increase. It is of great concern that GAO never consulted with Congress either before or after it denied GAO employees who met expectations, their cost of living increase.

According to the Comptroller General's testimony, many of these employees will continue to be denied the annual across the board increase until he leaves office in 2013. The Comptroller General's reasons for breaking his commitment to Congress hinge on the Watson Wyatt compensation study and the notion that some GAO employees were overpaid.

But even Watson Wyatt has said that they present the data. They do not make policy decisions as to who is and who is not overpaid. That decision is made by the client.

The content and quality of the study is important to our understanding of what transpired at GAO and why. We will thoroughly examine it during this hearing.

At the request of the Comptroller General, a member of GAO's EAC was invited to testify at today's hearing. EAC declined the invitation but asked that the subcommittee submit their December 2006, letter to Members of Congress for the record. The letter was in response to a bipartisan and bicameral request by congressional staff that the EAC report directly to Congress on employee concerns. A supermajority of the EAC voted and approved the issuance of the letter.

The Comptroller General has requested that his response to the EAC letter also be included in the record.

Without objection, both letters will be included. It is so ordered.

Blacks in Government [BIG], which is represented on the EAC, informed me of their concerns regarding disparate performance ratings between African Americans and Caucasians at GAO. Employee ratings were central to who was and was not promoted to a Band II. Blacks in Government urged the Comptroller General in 2004 to study the issue and not to go through with the restructuring until the disparity between African Americans and Caucasians at GAO was better understood.

While I commend the Comptroller General for recently acknowledging the disparity in ratings and taking steps to commission a study on the issue, it would appear that African Americans at GAO have been harmed by the restructuring, and this brings into question the fairness and credibility of GAO's performance management systems.

Based on meetings with members of GAO's Executive Committee, I understand that the EAC can survey GAO employees as long as it informs GAO management that it intends to do so. I am requesting that the EAC survey all GAO employees on the Band II restructuring and the Watson Wyatt study and that it consult with the subcommittees in the development of the survey.

Last year in a meeting with congressional staff, an EAC member was asked if she was so unhappy at GAO, why not leave? The EAC member responded that she had been working for GAO for over 10 years and that her job at GAO helped Members and influenced public policy. That is why she stayed, out of her dedication to public service which outweighed her concern about being treated fairly at GAO.

Last night, GAO provided the subcommittee with documentation they received from Watson Wyatt on May 11, 2006, regarding the compensation study. This document is substantive in that it included the data that was used for the analysts and certain other jobs. This data was different from data provided earlier.

However, these new documents do not alter the subcommittee's views on the reliability of the survey. If anything, it draws into further question the recordkeeping and documentation of the entire process. It appears that a hearing is needed that focuses specifically on how compensation studies are executed and documented.

My hope is that at the end of this hearing, GAO will take steps to regain its credibility by honoring its commitments, obeying the law and addressing employee concerns.

You might note that I took more than the normal 5 minutes for my statement, and I did that recognizing that it was important to get this information out into the public purvey. That is why I did so, and so I indicate that.

[The prepared statement of Hon. Danny K. Davis follows:]

**STATEMENT OF CHAIRMAN DANNY K. DAVIS
AT THE SUBCOMMITTEE ON FEDERAL WORKFORCE
AND POSTAL SERVICE, AND THE DISTRICT OF COLUMBIA
HEARING ON**

GAO PERSONNEL REFORM: DOES IT MEET EXPECTATIONS?

May 22, 2007

Good morning. Chairman Akaka and Ranking Member Voinovich, Ranking Member Marchant and I welcome you and your colleagues to the House and this joint hearing on GAO's personnel reforms. The Subcommittees thank the witnesses, some of whom have traveled here from out-of-town at their own expense, to participate in today's hearing.

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Department of Homeland Security and the Department of Defense, have since been mired in court challenges brought by employee organizations that have questioned both the legality and fairness of the new personnel rules and procedures that have been implemented. We have also seen efforts undertaken within Congress to address the problems that have been identified.

The situation that has unfolded at GAO is of particular concern to me, as well as many of my colleagues, because it involves a legislative branch agency. It is close to home. It involves the agency we rely on to ensure all the others do right. That is why for the last 15 months, the Subcommittees have been researching, and now investigating, GAO's implementation of Human Capital II. What we have uncovered provides the basis for some very considerable concerns.

The Comptroller General has testified on numerous occasions, that the new personnel systems being launched across the government must be "modern, effective, credible, and as appropriate, validated performance management systems in place with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, to ensure fairness and prevent politicization and abuse." I agree with him on that point. That is part of what my colleagues and I want, but there is more. GAO also recommended that any new performance management systems developed contain: meaningful distinctions in individual employee performance; involve employees and stakeholders in designing the system; have employee buy in; and achieve consistency, equity and nondiscrimination. Here again, I agree. These are the standards, the prism through which new personnel systems must be evaluated and judged. However, when applying them to GAO itself, our staffs have uncovered a record of noncompliance that is troubling and that warranted the extraordinary joint hearing that we are conducting today.

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The CG's reasons for breaking his commitment to Congress hinge on the Watson Wyatt compensation study and the notion that some GAO employees are overpaid. But even Watson Wyatt has said that they present the data, they do not make policy decisions as to who is, and who is not, overpaid. That decision is made by the client. The content and quality of the study is important to our understanding of what transpired at GAO and why. We will thoroughly examine it during this hearing.

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My hope is, that at the end of this hearing, GAO will take steps to regain its credibility by honoring its commitments, obeying the law, and addressing employee concerns.

Mr. DAVIS OF ILLINOIS. Now I would like to go to the other Members for their statements, and I will go to Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman. I want you to know that we are pleased that two of our subcommittees can come together to hold this joint hearing on the new personnel system at the Government Accountability Office.

Mr. Chairman, I join you in welcoming Comptroller General Walker and all of our witnesses to discuss the changes that have taken place at GAO since we passed the GAO Human Capital Reform Act of 2004.

Since GAO's system is being described as a model for the rest of the Federal Government, we need a better understanding of how GAO's system works and what its impact is on GAO's employees.

We all agree with the Comptroller General that Federal agencies should have modern, effective, and credible performance management systems. Further, we agree that these systems need adequate safeguards to work. Safeguards include transparency and accountability mechanisms to ensure fairness and prevent abuse.

GAO also recommends that agencies have a performance management system that makes meaningful distinctions in individual employee performance, involves employees and stakeholders in the design of the system, and achieves consistency, equity and nondiscrimination. It is through this same lens that we need to view the personnel system at GAO.

The GAO Human Capital Reform Act of 2004 decoupled the annual pay adjustment for GAO employees from those provided to all other Federal employees paid under the general schedule. As a result, GAO sought to discover how its employees' pay compared to the private sector and other GAO competitors for the best and brightest workers. GAO hired Watson Wyatt Worldwide to conduct a market-based survey for its employees and then restructured the pay bands for GAO analysts.

However, many GAO employees have concerns over these changes. Their complaints fall in three broad categories: a lack of transparency, credibility, and employee involvement in the development of the market-based survey; an unfair process and criteria used for determining placement in Band IIB; and failure of some GAO employees whose performance at least met expectations to receive a cost of living increase.

In 2004, Watson Wyatt Worldwide conducted the market-based survey for GAO. However, according to documents provided to our subcommittees, it appears that only three employees who were not part of the GAO Executive Committee or the Senior Executive Service were invited to participate in the survey design.

In addition, Watson Wyatt relied on off the shelf market data to pay ranges for GAO employees without weighing the data sufficiently toward its biggest competitors for top talent.

It is no secret that Federal employees consistently lag behind their private sector counterparts in pay. The Federal Employee Pay Comparability Act is waived every year because it is too expensive to bridge the pay gap between the public and private sectors.

As such, it is not clear why GAO analysts, who perform unique work for Congress in analyzing and investigating a range of complex programs and systems, would be overpaid. Nor is it clear why

GAO, which is fighting to recruit the very best employees, would set its pay at a level below its competition.

I am also concerned about a gap created in the work force ranks as a result of the Watson Wyatt survey. GAO separated Band II analysts into Band IIA for senior analysts and Band IIB for lead analysts. In doing so, it effectively demoted a large portion of the GAO analysts work force and undermined the team mentality at GAO whereby employees in the same band would sometimes lead and sometimes staff reports.

After relying on the survey and the Band II restructuring to determine that several of its employees were overpaid, GAO decided that those employees should not receive a cost of living adjustment, despite the fact that these employees performed at or above the level of meets expectations which is a rigorous standard at GAO. Moreover, the Comptroller General explicitly promised Congress that an annual pay adjustment would be given to employees who met or exceeded expectations unless there were extraordinary economic circumstances or severe budgetary constraints.

Because of these decisions, 12 employees filed a petition with the GAO Personnel Appeals Board, an independent appellate body at GAO, claiming that reassignment from Band II to Band IIA resulted in an unlawful demotion, reduction in pay, and was a violation of the GAO Personnel Act.

On April 4, 2004, GAO settled the case. As a remedy, all the petitioners received retroactive placement in Band IIB effective January 8, 2006, with full back pay and interest and consideration for retroactive promotion to Band III with full back pay and interest.

Last week, approximately 200 more GAO employees filed a petition with the PAB over the personnel reforms.

Out of continuing concern over these changes, a majority of eligible employees also filed a petition on May 8, 2007, to elect a union to represent them.

I look forward, Mr. Chairman, to learning more about the GAO personnel reforms. GAO is an important instrument of congressional oversight. Its employees are critical to Congress' mission.

The question to be asked here today is whether the GAO personnel reforms should be considered best practices to be emulated throughout the government or rather a lesson in what not to do.

Mr. Chairman, I agree with you that GAO needs to survey the employees' feelings on the new pay changes that have taken place, and I also urge EAC to do so.

Mr. Chairman, I thank you for this opportunity to testify, and I look forward to hearing from our distinguished witnesses.

[The prepared statement of Senator Akaka follows:]

Statement of Senator Daniel K. Akaka

"GAO Personnel Reform: Does it Meet Expectations"

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia Committee on Homeland Security and Governmental Affairs

May 22, 2007

Thank you Chairman Davis. I am so pleased that our two Subcommittees can come together and hold this joint hearing today on the new personnel system at the Government Accountability Office (GAO). I join you in welcoming Comptroller General David Walker and the rest of our witnesses to discuss the changes that have taken place at GAO since we passed the GAO Human Capital Reform Act of 2004. Since GAO's system is being described as a model for the rest of the federal government, we need a better understanding of how GAO's system works and what its impact is on GAO employees.

We all agree with the Comptroller General that federal agencies should have modern, effective, and credible performance management systems. Further, we agree that these systems need adequate safeguards to work. Safeguards include transparency and accountability mechanisms to ensure fairness and prevent abuse. For example, GAO recommends that agencies have a performance management system that makes meaningful distinctions in individual employee performance; involves employees and stakeholders in the design of the system; and achieves consistency, equity and nondiscrimination. It is through this same lens that we need to review the personnel system at GAO.

The GAO Human Capital Reform Act of 2004 decoupled the annual pay adjustment for GAO employees from those provided to all other federal employees paid under the General Schedule (GS). As a result, GAO sought to discover how its employees' pay compared to the private sector and other GAO competitors for the best and brightest workers. GAO hired Watson Wyatt Worldwide to conduct a market based pay survey and then restructured the pay bands for GAO analysts. However, many GAO employees have concerns over these changes.

Their complaints fall into three broad categories:

- A lack of transparency, credibility, and employee involvement in the development of the market-based survey;
- An unfair process and criteria used for determining placement in Band IIB; and
- The failure of some GAO employees, whose performance at least met expectations, to receive a cost of living increase.

In 2004 Watson Wyatt Worldwide conducted the market-based survey for GAO. However, according to documents provided to our Subcommittees, it appears that only three employees who were not part of the GAO Executive Committee or the Senior Executive Service were invited to participate in the survey design. In addition, Watson Wyatt relied on off the shelf market data to set pay ranges for GAO employees without weighing the data sufficiently towards its biggest competitors for top talent.

It is no secret that federal employees consistently lag behind their private sector counterparts in pay. The Federal Employee Pay Comparability Act is waived every year because it is too expensive to bridge the pay gap between the public and private sector. Given this, it is not clear why GAO analysts, who perform unique work for Congress in analyzing and investigating a range of complex programs and systems, would be overpaid. Nor is it clear why GAO, which is fighting to recruit the very best employees, would set its pay at a level below its competition.

I am also concerned by a gap created in the workforce ranks as a result of Watson Wyatt's survey. GAO separated Band II analysts into Band IIA, for senior analysts, and Band IIB, for lead analysts. In doing so, it effectively demoted a large portion of the GAO analyst workforce and undermined the team mentality at GAO, whereby employees in the same band would sometimes lead and other times staff reports.

After relying on the survey and the Band II restructuring to determine that several of its employees were overpaid, GAO decided that those employees should not receive a cost of living adjustment, despite the fact that these employees performed at or above the level of "meets expectations" — which is a rigorous standard at GAO. Moreover, the Comptroller General explicitly promised Congress that an annual pay adjustment would be given to employees who met or exceeded expectations unless there were extraordinary economic circumstances or severe budgetary constraints.

Because of these decisions, twelve employees filed a petition with the GAO Personnel Appeals Board (PAB), an independent appellate body at GAO, claiming that reassignment from Band II to Band IIA resulted in an unlawful demotion, reduction in pay, and was a violation of the GAO Personnel Act. On April 4, 2007, GAO settled the case. As a remedy, all the petitioners received retroactive placement in Band IIB, effective January 8, 2006, with full back pay, interest, and consideration for retroactive promotion to Band III with full back pay and interest. Last week, approximately 200 more GAO employees filed a petition with the PAB over the personnel reforms.

Out of continuing concern over these changes, a majority of eligible employees also filed a petition on May 8, 2007, to elect a union to represent them.

I look forward to learning more about the GAO personnel reforms. GAO is an important instrument of congressional oversight. Its employees are critical to Congress's mission. The question to be asked here today is whether the GAO personnel reforms should be considered a best practice to be emulated throughout the government, or rather, a lesson in what not to do. I look forward to hearing from our distinguished witnesses.

Mr. DAVIS OF ILLINOIS. Thank you very much, Senator Akaka.

I now yield to the ranking member of the House subcommittee, Mr. Marchant.

Mr. MARCHANT. Thank you, Mr. Davis. Chairman Davis and members of the subcommittee, I thank you for holding this hearing today on the Comptroller General's effort to revitalize the human resources management system at the Government Accountability Office.

Over the past decade, concerted efforts have been undertaken in Congress and the executive branch to bring the decades old Federal Civil Service system into the 21st century so that the Federal Government can recruit and retain a top notch Federal work force. In Congress, we have authorized reforms to the personnel systems at the IRS, NASA, the Department of Defense, the Department of Homeland Security, the Government Accountability Office and the Securities and Exchange Commission as well as reforms to the Government-wide Civil Service system.

In the executive branch, among other things, the President has made strategic human capital management a key component of his Presidential management agenda.

As expected, implementing these reform efforts have proven to be easier in theory than in reality. While few can argue that the Civil Service system is in desperate need of reform, not everyone agrees on how to actually implement that reform.

The purpose of today's hearing is to assess the efforts at the Government Accountability Office to implement the statutory requirements of the GAO Human Capital Reform Act of 2004 which authorized additional human capital flexibilities in the Government Accountability Office. Not surprisingly, the implementation of this legislation has been the source of some consternation among employees at the agency, and a degree of mistrust appears to have built up between the employees and management in certain parts of the agency.

I am hopeful that today's discussion might help the parties come to some sort of solution to these issues so that the Government Accountability Office can continue its efforts to reform and revitalize its human capital system.

While I appreciate the need for today's hearing on this important subject, Mr. Chairman, I am concerned that the scope of the hearing appears to include a pay dispute that is currently pending before the GAO Personnel Appeals Board. Just last week, it was reported that over 200 employees filed petitions with the Personnel Appeals Board, seeking pay and benefits they claim to have lost since the implementation of the GAO Capital Reform Act of 2004. Given that this particular issue is currently under consideration by the board, we must act carefully not to influence the outcome of these proceedings.

In closing, as a general rule, it takes 5 to 7 years to begin to see the benefits of a major reform initiative such as those called for by the GAO Human Capital Reform Act. We are now almost 3 years into the reform, and I applaud the chairman's decision to hold this hearing today on the status of the implementation of these reforms.

Thank you.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Marchant.

I now yield to the ranking member of the Senate subcommittee, Senator Voinovich.

Senator VOINOVICH. Thank you, Chairman Davis, and I welcome the opportunity to be here this morning, and I welcome our witnesses and thank them for being here this morning.

I have taken a keen interest in the management of Federal agencies during my 8 years in the Senate. GAO has played an integral role in providing comprehensive analysis and thoughtful recommendations on reforming the Federal Government's strategic human capital management. This is an issue that I have made the centerpiece of my efforts as the ranking member of the Senate Subcommittee on Oversight of Governmental Management and the Federal Workforce.

I know of no other individual in government who has worked harder to bring to the attention of Congress and the executive branch officials, the need for the government to invest first and foremost in its work force. Not only has Mr. Walker led GAO in identifying weaknesses and recommending improvement to strategic human capital management throughout the executive branch of government, he has worked tirelessly to lead by example by reforming GAO's strategic human capital practices.

Mr. Walker has often observed that for too long Federal employees have been seen as costs to be cut rather than assets to be valued, and I have observed that.

As a former Mayor of Cleveland for 10 years and the Governor of Ohio for 8 years, I lobbied this place as chairman of the National Governors Association and president of the National League of Cities. I saw that the A Team, the people that really got the job done, were being neglected and ignored and weren't being turned to, to get their thoughts on how they could do a better job.

In the first 9 years of Mr. Walker's term as Comptroller, he began important cultural transformations of his agency based in part on the authorities authorized in the GAO Capital Reform Act of 2003. I am proud to have sponsored the Senate version of this legislation.

Mr. Walker, I look forward to your testimony detailing how you have worked to implement those reforms.

As we hear the testimony of the witnesses here today, I would remind my colleagues that cultural transformation takes time. Understanding and accepting the market-based pay system that has been developed in GAO requires a change in culture, a change in culture throughout the government where we are trying to incorporate pay for performance. In its work, GAO has identified that the transformation takes approximately 5 to 7 years.

Quite frankly, after 10 years as Mayor and 8 years as Governor, my experience is that GAO's assessment is absolutely accurate. I think one of the things that Congress fails to understand is that if we are going to have true transformation it is not going to happen overnight. It takes 4 to 5 years for these things to be put in place, the bugs to be worked out and for it to be institutionalized.

I understand a few witnesses will suggest GAO's authority under the 2004 act should be repealed or modified. I think it is premature to make such judgments. If this is the reaction to change in the Federal Government, then God help us.

Major corporations with highly educated work forces like that of GAO succeed in this country because pay for their employees is based on performance and response to changing market conditions. People no longer seek to work for an organization with the idea that they will stay there for their entire professional career. People are looking to work hard and be recognized and be rewarded. So I understand some employees may be unhappy with the initial stage of this transformation.

Mr. Walker has faced and will continue to face strong critique of the work he has done to modernize the system. I am pleased that GAO has responded to some of the concerns that Chairman Davis and Senator Akaka mentioned in their opening statements. It is important that GAO understand that they continue to respond to these concerns that are being mentioned here today at this hearing if they expect for this to become part of the culture of the GAO.

Mr. Walker, when I was Mayor of Cleveland, I did what you are doing, implementing pay for performance. The study that was done back in 1980 was done by Watson Wyatt. So I know firsthand how difficult the process is.

I know also firsthand how when done right, how motivating and rewarding it is for those employees that participate as witnessed by the fact that GAO was just recognized as the second best place to work in the Federal Government by the Partnership for Public Service.

Thank you, Mr. Chairman.

[The prepared statement of Senator George V. Voinovich follows:]

OPENING STATEMENT OF
SENATOR GEORGE V. VOINOVICH, CHAIRMAN
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA

GAO PERSONNEL REFORM: DOES IT MEET EXPECTATIONS?
MAY 22, 2007

Good morning, and thank you, Mr. Chairman. I welcome our witnesses and thank them for being here this morning.

I have a keen interest in the management of federal agencies. During my eight years in the Senate, GAO has played an integral role in providing comprehensive analyses and thoughtful recommendations on reforming the federal government's strategic human capital management. This is has been the centerpiece of my efforts as the Ranking Member of the Senate Subcommittee on Oversight of Government Management and the Federal Workforce.

I know of no other individual in government who has worked harder to bring to the attention of Congress and Executive branch officials, the need for the government to invest first and foremost in its workforce. Not only has Mr. Walker led GAO in identifying weaknesses and recommending improvement to strategic human capital management throughout the executive branch of government, he has worked tirelessly to lead by example by reforming GAO's strategic human capital practices. Mr. Walker has often observed that for too long, federal employees have been seen as "costs to be cut rather than assets to be valued." He has done a fine job in changing that perception at GAO.

In the first nine years of his 15-year term as Comptroller General, Mr. Walker has begun an important cultural transformation of his agency, based in part on the authorities authorized in GAO Human Capital Reform Act. I am proud to have sponsored the Senate version of this legislation, and I look forward to Mr. Walker's testimony detailing how he has worked to implement these reforms.

As we hear the testimony of the witnesses' today, I would remind my colleagues that cultural transformation takes time; understanding and accepting the market based pay system that has been developed at GAO requires a change in culture. In its work, GAO has identified that transformation takes approximately five to seven years. After ten years as Mayor of Cleveland and eight years as Governor of Ohio, my experience is that GAO's assessment is accurate.

(over)

I understand a few witnesses will suggest GAO's authority under the 2004 act should be repealed or modified; however, it is premature to make such judgments. Mr. Walker has faced, and today will continue to face, a strong critique of the work he has done to modernize GAO's personnel system. However, Mr. Walker, when I was Mayor of Cleveland I did what you are doing now – implementing pay for performance for a government body. I know first hand how difficult the process is. I also know first hand how when done right, how motivating and rewarding it is for those employees that participate, witnessed by the fact that GAO was just recognized as the second best place to work in the federal government by the Partnership for Public Service. I commend him for his efforts and look forward to his testimony here today.

Thank you, Mr. Chairman.

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Mr. DAVIS OF ILLINOIS. Thank you very much, Senator.

I am going to ask other members of the subcommittee who have opening statements if you would consider submitting those for the record so that we can go directly to our witnesses. If someone has a burning desire.

Ms. NORTON. I have a burning desire.

Mr. DAVIS OF ILLINOIS. All right, then the Chair recognized Delegate Eleanor Holmes Norton.

Ms. NORTON. I have a burning desire in part, Mr. Chairman, because you announced there would be opening statements. Mr. Chairman, so I don't think it is fair to change the rules in the middle of the opening statements.

Mr. Chairman, I want to comment on this matter, and I want my comments to be understood not to have reference to any individual complaints that may be pending. I want to comment on the structure, the structure that I follow very closely from the moment it was put into existence.

I do believe that the committee should note that this was a kind of grand experiment in the new compensation system and that what it has gotten the agency is a union which is some indication since this was an agency which, unlike similar agencies, did not in fact have a union. The CRA does have a union. The NSA and some of its upper level engineers are unionized. Some administrative judges are unionized.

But the GAO did not have a union, and the reason that this is worth noting is that what the GAO was doing was supposed to demonstrate the success of the new compensation system. For all the notions about whether or not this is premature, the fact is that GAO held itself out as being able to show that the pay banding system could work.

I think we have to ask ourselves, is it the failure of the experiment or the failure of the new compensation system? It could be a failure of both, but it is hard to call what we now have, a success.

I don't see how on the basis of what GAO has done and the reaction of its upper tier employees, surely unrepresentative of the Federal work force. This is not your average Federal agency. I don't know how we could say that this system should now be spread to other agencies without a great deal more work.

There have even been allegations that I think Mr. Walker should speak to, words of management style intimidation, which I find shocking. If the people want to unionize, I don't think that the GAO will rise or fall tomorrow. It does seem to me that was unfair, if unwarranted, if it occurred, and I leave it to him to speak to that. I think he ought to affirmatively speak to that in his remarks.

I am very concerned that the matter has been complicated by allegations of racial disparity. Any new system has to be tested for disparities of all kinds and especially after what this country has gone through for any disparate racial impact.

I am concerned, as a Member of Congress who has relied very substantially on the GAO, at the possibility that we have endangered, by this dispute, the reputation of the agency as a place to go to work. So the Congress may not be assured of the best and the brightest employees, however Members may come down on this dispute.

Finally, Mr. Chairman, I want to say a word about COLAs. The chairman has said rightly that Members of the regional delegation lead the annual effort for COLAs, but let me also say for the record that these COLAs pass the Congress by lopsided majorities. This is something we do for employees who could go and work elsewhere at a time when, by the way, we are losing the baby boom generation without any assurance that we will have employees of their caliber, given the competition from the private sector to replace them.

I did some homework, Mr. Chairman, and found that my impression that GAO employees would be the only employees without a COLA. Two million employees and the GAO employees would be the only ones without a COLA was, in fact, the case. How in the world can any agency justify a compensation system that picks them out in this respect.

In fact, some people's pay was lowered. I also have checked the facts on that. When locality pay was instituted, the Federal Government tried once lowering the pay of a few workers. However, there was no dispute because everybody got an across the board raise.

The Federal Government was sued once when for some of its very high level employees, those that we have a hard time recruiting, like scientists, that no COLA—no COLA—occurred. They sued. We lost. We meaning the Federal Government.

There is some institutional history, not just legislative history, Mr. Chairman, and I must say that the whole setup of the GAO bothers me as a former Chair of the EEOC that regards separation of powers as important.

I have no reason to criticize the Personnel Board that these matters go to, but it is worth noting that the GAO alone has its own EEOC in this Personnel Board, its own FLRA, its own MSBP. My, you must be special. And, these members are not even appointed by the President or some other body like us or somebody. They are appointed by the person against whom the complaints are filed. They have terms. The Personnel Board has terms.

We are not here to criticize them. I don't know anything about what they have done, but I do think we have a very fancy setup here for an agency of Congress that looks as if the workers in this agency are preferred in a way other workers are not. If that is the case, I believe it is time to look more closely, not only at the GAO but at the entire way in which it is structured.

Thank you, Mr. Chairman.

Mr. DAVIS OF ILLINOIS. Thank you very much, Delegate Norton.

[Applause.]

Mr. DAVIS OF ILLINOIS. Any other Member?

If not, then we will go directly to our witnesses, and I will introduce our first panel of witnesses.

Panel one: Mr. David M. Walker is the seventh Comptroller General of the United States. He began his 15 year term when he took his oath of office on November 9, 1998. As Comptroller General, Mr. Walker is the Nation's Chief Accountability Officer and head of the U.S. Government Accountability Office.

We also have Ms. Ann Wagner who is the General Counsel for GAO's Personnel Appeals Board. The Personnel Appeals Board adjudicates personnel disputes involving employees or applicants to GAO as well as monitors equal employment opportunities at the GAO.

Let me thank our witnesses for coming. As is the tradition with this committee and all committees, we swear in the witnesses.

[Witnesses sworn.]

Mr. DAVIS OF ILLINOIS. Let the record will show that each witness answered in the affirmative.

Your entire statement will be in the record. The green light indicates that you have 5 minutes to summarize. The yellow light means your time is running down, and you have 1 minute. Of course, the red light means that your time has expired.

Mr. DAVIS OF ILLINOIS. Mr. Walker, would you begin?

STATEMENTS OF DAVID M. WALKER, COMPTROLLER GENERAL, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; AND ANNE M. WAGNER, GENERAL COUNSEL, PERSONNEL APPEALS BOARD, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

STATEMENT OF DAVID M. WALKER

Mr. WALKER. Thank you, Mr. Chairman. I will endeavor to get done in 5 minutes. I would respectfully request my entire statement be included as part of the record, and I will summarize now.

I appreciate the opportunity to appear before you today to talk about the GAO's efforts to implement its human capital reforms.

Because we are the agency that audits, investigates and evaluates other agencies, we believe very strongly in leading by example. GAO is not perfect, and we never will be, but quite frankly no agency in government is perfect nor will it ever be. We strive to do what is right, and we strive to continuously improve.

Clearly, the government's greatest asset is its employees. Certainly, this is the case at GAO. Therefore, all of our human capital efforts are designed to attract and retain top talent within current and available resource levels.

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 is right for tomorrow. This requires me, among other things, to do what I believe is in the collective best interest of all of 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 top flight work force while assuring that those policies are both affordable today and sustainable over the longer term.

The fact is when you are making tough transformational changes, you cannot make everybody happy. 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.

While our transformational human capital changes have required some difficult adjustments, they, along with other key reforms, have helped to achieve record organizational results which are provided for the record.

Furthermore, we continue to achieve very positive results in connection with our people measures including in connection with our Employee Annual Feedback Survey, and we provided fact-based evidence to the same which is in the record.

Most employee concerns regarding our recent changes relate to the implementations of our moving to a more market-based skills, knowledge and performance-oriented pay system. We hired a top compensation consultant firm, Watson Wyatt, with extensive public, private and not for profit sector experience through a competitive process.

As a result of this study, the pay ranges for about 25 percent of our employees were raised. You don't hear much about that.

However, the study also determined that while most of our employees were paid within market ranges, about 10 percent of our employees were paid above market levels based upon their roles, responsibilities and/or relative performance. That is what you hear about.

We believe we are the first major agency in the Federal Government to implement broad banding, market-based pay and skills, knowledge and performance-oriented pay systems on an agency-wide basis. As noted previously, this is a major accomplishment that was difficult to achieve, and our reforms have been subject to many positive case studies and articles by various organizations, academics and others on how to achieve tough transformational changes within the Federal Government. We are proud of what GAO has done.

Nonetheless, as I 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 the related across the board pay adjustments in 2006. We have undertaken numerous steps, including me personally, to address this matter over the past year so that such gaps should no longer exist.

Unfortunately, despite our concerted and good faith efforts, there has been a lot of false and misleading information disseminated about our changes.

First and foremost, I know that some believe that I did not follow through on certain assertions they thought that 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 meets expectations ratings irrespective of their pay levels. However, 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. This fact was not known 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 didn't do that. However, the fact remains that I do not believe now, nor did I believe then, that it would be appropriate or equitable to provide across the board pay increases to employees who were paid above market levels. The very notion of doing so would be fundamentally inconsistent with a market-based pay system and fundamentally inconsistent with the premise of equal pay for work of equal value.

Importantly—and this is not in my statement, but I have confirmed it three times—not one single GAO employee asserted until after the Band II restructuring took place that I was breaching an alleged promise that I made in 2003, not one.

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 made under the prior Band II pay system at the time of conversion.

While 308 GAO employees who performed at meets expectations levels or better did not receive the annual across the board adjustment in 2006 because they were paid above market, this number decreased to 298 as a result of the recent PAB settlement.

The number of employees who did not receive across the board adjustments declined from about 10 percent of our work force in 2006 to about 5 percent in 2007, and of these 139 employees who didn't receive an across the board in 2007, only 2 did not receive performance-based compensation. In fact, some of the ones received more in performance-based compensation than they would have received had they received an across the board adjustment in lieu of that.

Importantly, our limits on across the board pay adjustments represent a temporary transition issue and, as I provided for the record, I expect that before the time I leave office, every GAO employee will receive across the board pay adjustments in addition to be eligible for PBC.

Some have asserted that morale at GAO is poor. This is simply not supported by the facts. Morale is up 33 percent after our changes and since I came to GAO. We're also ranked No. 2 by our own employees in the Best Places to Work Survey after the changes for our classification and compensation systems.

Some have asserted that we did not have an extensive outreach effort or communication effort with regard to our changes. The record does not support that assertion, as I have provided for the record.

Importantly, we have taken additional steps. We have learned some lessons and we will continue to learn lessons, and we have tried to make improvements as time has gone on.

For example, I have made a number of adjustments to provide additional opportunities for performance-based compensation and base pay adjustments over time, and I am contemplating that we may continue to do so going forward.

Finally, some have questioned the degree of diversity in GAO's work force. These assertions don't stand up to the facts which I have provided for the record.

In closing, GAO's leadership team is committed to continuous improvement while avoiding constant change. GAO is not perfect, and we never will be. We are, however, a clear leader in transforming how government does business in many areas 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 our employees to continue to stay that way.

Fortunately, we have a great work force, and we have many, many, many, many more people who want to work for GAO than we have positions, and I want to keep it that way.

Thank you.

[The prepared statement of Mr. Walker follows:]

United States Government Accountability Office

GAO

Testimony
Before Congressional Subcommittees

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UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

Status of GAO's Human Capital Transformation Efforts

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

GAO
Accountability * Integrity * Reliability

GAO-07-872T

May 22, 2007

GAO Accountability·Integrity·Reliability

Highlights

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

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

Status of GAO's Human Capital Transformation Efforts

Why GAO Prepared This Stat m nt

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.

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.

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.

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	Fi cal 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 G vernm nt "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 ensura 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 s urce	Excerpted text
Harvard Business Review **"Chang 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 bean 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 Cent r f r the Business of Gov rnm nt 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 Cese 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."

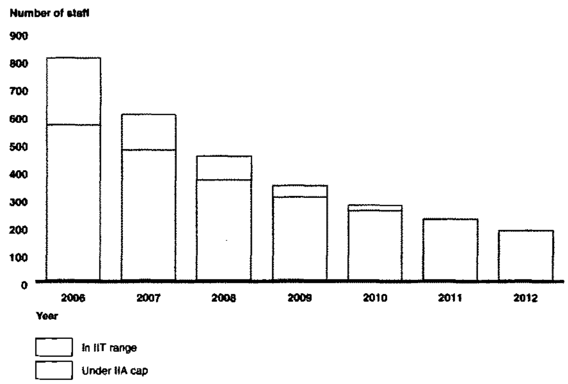
Published source	Excerpted text
Governm nt Leader "Walker takes GAO from accounting to accountability" John Pulley May 14, 2007	• "Walker's overhaul of GAO's job classification and employee appraisal systems links pay to market forces and raises to job performance. Broad pay bands have replaced the regimented 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."

Publish d source	Excerpted text
Partn rship 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.'"
Governm nt 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."
F d ral 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 Proj cted 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

Comparis n of GAO's 2007 Banded Salary Ranges with 2007 GS Levels (All Steps) for the Washington/Baltimore/ N rth rn Virginia L cality Area

GAO band	GAO minimum	GAO competitive rate	GAO speed bump	GAO maximum	GS range (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 Oct ber 1, 2006)

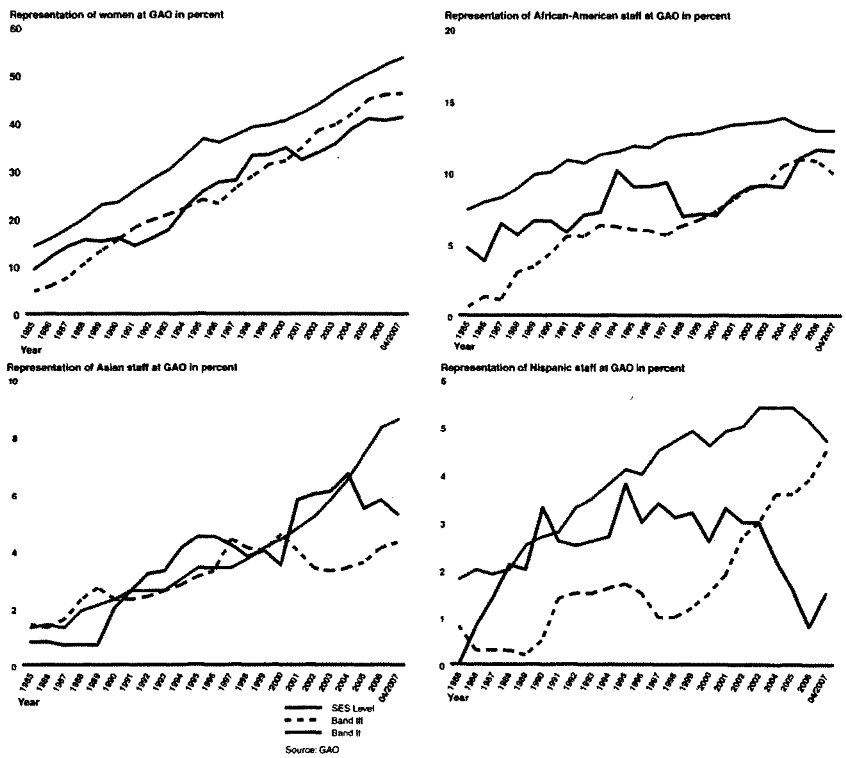
		African American		Asian		Hispanic		Wom n	
GAO occupations	**Total GAO staff**	% in CLF	% in GAO	% in CLF	% in GAO	% in CLF	% in GAO	% in CLF	% in GAO
Analyst	**1,816**	5.87%	11.78%	5.71%	7.38%	3.58%	5.23%	38.61%	54.24%
Auditor	**239**	7.89%	13.81%	8.06%	11.72%	5.13%	7.11%	57.02%	53.56%
Computer sci/telecomm	**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 Div rsity 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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Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Walker.

We will now proceed to Ms. Wagner.

STATEMENT OF ANNE M. WAGNER

Ms. WAGNER. Good morning, Chairman Davis, Chairman Akaka, members of the subcommittees.

I have appeared here today in response to your request that I speak to issues arising out of the restructuring of the Band II analyst specialists work force at GAO that occurred in December 2005.

As a preliminary, well, let me just say that the assertions that we were prepared to litigate in those cases are set forth in my written statement which I would respectfully request be admitted into the record.

As a preliminary matter, I do want to note that these cases settled as was noted by Chairman Akaka in April of this year, and as such the assertions that are set forth in my written statement, to which I will speak to today, do not constitute findings in the legal sense of that term, meaning conclusions of fact and law derived upon an adjudication of the evidence. However, I firmly believe that had these matters gone on to hearing before the Personnel Appeals Board, that we would have prevailed.

The fundamental thrust of the Band II cases that we had taken to the Personnel Appeals Board was essentially that the restructuring of the Band II work force violated the petitioners' statutory due process rights.

There were three essential grounds to this claim: First, that the reassignments from Band II to Band IIA constituted demotions and that these demotions were taken by GAO without just cause as required by law.

Second, we were prepared to litigate that the restructuring process itself was so flawed from the inception to implementation, that the ensuing demotions could not be sustained.

Third, we were prepared to show that the restructuring was contrary to 5 U.S.C. 4302 which is made applicable to GAO under the GAO Personnel Act at 31 U.S.C. 732. We were also prepared to show that the restructuring process did not comport with the human capital legislation, specifically Section 9 of Public Law 108–271.

Finally, we were prepared to argue that the elimination of the COLA for the Band IIA petitioners was contrary to the statutory authorization as set forth in Public Law 108–271 Section 3.

With regard to the first grounds, that is, that these demotions were taken without just cause, our investigation and ensuing discovery reflected that the stated cause for the demotions was not substantiated by GAO. Specifically, GAO undertook the restructuring ostensibly to achieve equal pay for equal, for work of equal value over time.

However, despite repeated requests that GAO produce documented evidence that the existing performance-based compensation system that was existing at GAO prior to the restructuring as well as the Band II structure himself somehow impeded GAO's ability to pay employees equally for work of equal value over time.

Throughout the discovery process, the alternate rationales for the restructuring that were proffered by GAO were the PDRI study from 2000 as well as the Watson Wyatt study. However, upon close examination of both of those, it was clear that neither supported GAO's contention that they somehow compelled the restructuring of the Band II.

In particular, the PDRI study that was done in 2000 reflected a so-called bimodal response among the respondents which GAO assumed signified that there were, in fact, two distinct positions at the Band II level. However, upon further examination of that data, it appeared that the vast majority of the respondents to that survey were, in fact, AICs themselves which are the leader positions within the Band II, so that the assumption that GAO made, based on the bimodal response, was unsubstantiated.

Further, with regard to the Watson Wyatt study, we discovered in the course of the discovery process that the GAO actually provided Watson Wyatt, as a design characteristic for the study, the fact that there were these two distinct positions at the Band II. So it wasn't accurate to say that Watson Wyatt somehow independently confirmed that there were these two positions at the Band II level that justified the restructuring.

I do note that my time is up, and I would be happy to answer additional questions with regard to the other grounds for which we were prepared to litigate before the Personnel Appeals Board.

[The prepared statement of Ms. Wagner follows:]

Before the
Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
and the
House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia

Statement of Anne M. Wagner
General Counsel
Personnel Appeals Board, GAO

May 22, 2007

Good morning, Chairman Akaka, Chairman Davis, and members of the subcommittees. At your request, I am here today to address questions you may have regarding the efforts by the Government Accountability Office (GAO) to restructure its mid-level analyst corps, commonly known as Band II. As a preliminary matter, however, I would appreciate the opportunity to address my role and that of the Personnel Appeals Board with regard to this matter.

In 1980, Congress enacted the Government Accountability Office Personnel Act (GAOPA), and in doing so, established the Personnel Appeals Board with jurisdiction to adjudicate adverse actions, discrimination complaints and prohibited personnel practices, among other things. Final PAB decisions are appealable to the United States Court of Appeals for the Federal Circuit. To date, the Board has issued over a hundred decisions, only a small number of which have been appealed to the Circuit. And, in twenty-seven years, the PAB has been reversed fewer than a handful of times.

The GAOPA and the Board's implementing regulations define the role of the Board's Office of General Counsel. Specifically, the Office investigates charges filed by GAO employees or applicants alleging a violation of their employment rights. Where reasonable grounds exist to believe that such a violation has occurred, the General Counsel offers to represent the individual in adjudicating the claim before the PAB. The employee may accept the offer, or decline and proceed to the Board *pro se* or with a representative of his or her choosing. If reasonable grounds do not exist and the General Counsel does not offer to represent, the individual may still proceed to the Board with his/her claims.

The Personnel Appeals Board Office of General Counsel (PAB/OGC) has no role in the creation or implementation of policy at GAO other than to comment on proposed Agency orders. More importantly, PAB/OGC does not adjudicate claims and thus does not make findings as such. Rather, the purpose of the investigations conducted by the General Counsel is solely to determine whether to offer representation to the charging party based on a relatively low threshold of whether there are reasonable grounds to believe that a violation has occurred, rather than on the much higher test applied by the Board when ruling upon the claim.

In February 2006, fifteen GAO employees who had been in the Band II analyst and specialist force timely filed individual charges with the PAB General Counsel's Office challenging their alleged recent demotions as a result of GAO's recent restructuring of the single Band II into Band IIA and Band IIB. Three of these individuals thereafter decided to pursue discrimination claims with the GAO's Office of Opportunity and Inclusiveness and thus the PAB/OGC investigation into their charges was held in abeyance. Upon investigating the remaining twelve charges, I determined that reasonable grounds existed to believe that the individuals' employment rights had been violated and, therefore, offered to represent them before the Personnel Appeals Board.

Thus, the PAB/OGC filed petitions on behalf of the twelve Band IIA individuals challenged the legality of several aspects of the GAO restructuring process and the specific placement decisions. After filing these petitions, my Office moved to consolidate the cases for processing before the Board.

The Subcommittees have asked me to provide a written statement regarding the Band II cases that were scheduled for hearing before the Personnel Appeals in April 2007. The following describes in detail the factual and legal assertions made by the PAB/OGC on behalf of the petitioners. However, as stated above, the PAB General Counsel does not make "findings" insofar as that term implies a determination of fact based upon adjudication of relevant evidence. While I firmly believe that the evidence and law supporting the claims set forth in the petitions would have carried the day if the cases went to a hearing, their settlement prior to trial meant that the Board did not have the opportunity to make findings of fact and conclusions of law with regard to the matters at issue. With that said, I can summarize for you what I believe the record would have shown with regard to GAO's restructuring of the Band II analyst and specialist workforce.

The PAB/OGC was prepared to show that GAO improperly demoted the twelve petitioners. As a threshold matter, we would have demonstrated that the alleged "reassignments" were adverse actions triggering the substantive or procedural due process protections set forth in 5 U.S.C. §7513, made applicable to GAO through 31 U.S.C. §731.[1] Under GAO Order 2752.1, ch. 3(1)(d), such adverse actions include reductions in band and pay. A reduction in band is defined as an "involuntary change of an employee...to a lower pay band," and a reduction in pay means "the involuntary reduction of an employee's pay." GAO Order 2752.1, ch.1(4). Pay is

[1] Alternatively, we were prepared to argue that the "reassignments" were constructive demotions.

defined as "the basic pay rate set by the Comptroller General for a position before any deductions and additional compensation, such as overtime." The petitioners' placement from Band II to Band IIA constituted both a reduction in band and pay.

Specifically, the Band II, formed in 1989, merged the former GS-13 and GS-14 analysts and specialists. The restructuring effectively reinstituted the two grade/pay classifications with the Band IIB being the GS-14 and the Band IIA being the GS-13. Thus, for analysts, such as one of the petitioners, who were, in fact, at the GS-14 grade level prior to the formation of the Band in 1989, placement into the Band IIA effected a demotion to the GS-13 equivalent Band IIA position. Similarly, other petitioners with considerable years of service at GAO and at the top of the Band II or GS-14 equivalent, reassignment to the Band IIA or GS-13 equivalent likewise constituted a demotion. A further indication that the placement from Band II to Band IIA was a demotion is that the competencies and duties previously encompassed within the Band II were ultimately assigned to Band IIB, [2] effectively making the Band IIA a lower band level than the Band II.

Furthermore, the PAB/OGC was prepared to argue that placement into Band IIA also meant a reduction in pay because it resulted in petitioners being denied the annual adjustment to their basic salary to which they were otherwise entitled. While acknowledging cases holding that pay and grade retention preclude finding that an action constitutes a demotion, we were

[2] The "Developing People" and "Investing Resources" competencies had previously been validated for the Band II analyst position by Personnel Decisions Research Incorporated (PDRI) under a contract with GAO. GAO chose not to apply them to the Band II, however, due to the so-called "bimodal" response to these competencies in the PDRI job survey. *See* "Talking Points for Band IIA/B Restructuring Analysts Community Town Hall Meeting." (Aug. 5, 2005)

prepared to argue that these cases are distinguishable on the grounds that pay retention, without an annual cost of living adjustment, results in a real reduction in the basic rate of pay.

Because these reductions in band level and pay constituted adverse actions, had these cases gone to trial, GAO would have been required to prove by a preponderance of the evidence that they were taken for such cause as promotes the efficiency of the service. The term "cause" in the context of federal personnel law is normally defined as misconduct or poor performance. Here, there was no allegation that the petitioners engaged in misconduct. Nor can it be said that they demonstrated unacceptable performance given that their ratings for the relevant time period were all at "meets expectations" and above.

Rather, in May, 2005, GAO issued a Project Plan (Plan) for restructuring the Band II Analysts/Specialists into two pay bands designated Band IIA and Band IIB. The stated purpose of the proposed restructuring was to move GAO to a more market-based and performance oriented classification and compensation system that would result in "equal pay for work of equal value over time."

The record in this case would show that the decision to restructure the Band II was made by the Comptroller General (CG), David Walker. The GAO Executive Committee (members at the time included David Walker, Gene Dodaro, Chief Operating Officer (COO), Tony Gamboa (then-General Counsel), and Sallyanne Harper, Chief Administrative Office (CAO)) was responsible for providing guidance throughout the Band II restructuring project development and for making final policy decisions.

Prior to the proposed restructuring, GAO operated under a performance-based compensation system that provided for pay distinctions based on performance. Despite the PAB/OGC's repeated requests during the investigation and discovery for documented evidence that the existing Band II structure deprived employees of equal pay for work of equal value over time, GAO failed to produce any such evidence. Additionally, most of the Managing Directors interviewed during the course of the investigation stated that they had not perceived any inadequacies with the existing system and had not conveyed any dissatisfaction with it to Mr. Walker or the Executive Committee prior to the restructuring.

In their depositions, members of the GAO Executive Committee and other GAO officials involved with the Band II restructuring alternately attributed the basis for the restructuring decision to a 2000 study by Personnel Decisions Research Inc. (PDRI) and the Watson Wyatt compensation study in 2004. However, upon examination, neither study demonstrated the need to split Band II.

In 2000, GAO contracted with PDRI to develop a competency-based performance, appraisal, pay and promotion system. GAO's statement of work contemplated that this objective would be carried out in three phases: (1) develop competencies that reflect the knowledge, attributes and skill that GAO staff should possess to succeed in fulfilling GAO's mission; (2) develop a validated "world-class performance appraisal system; and (3) develop validated promotion and pay systems that "should allow for a significant role for management judgment in making both promotion and pay decisions." *See* GAO Purchase Order 200073.

In an effort to validate the competencies that it had devised as part of its contract, PDRI surveyed employees to determine the relevance of the related work activities to effective performance. Of those who responded, 22.6% of Band IIs indicated that the "developing people" competency was not relevant, while 21.7% of them indicated that the "investing resources" competency was not relevant to their performance. GAO officials referred to these survey results as the "bimodal" response, which they repeatedly cited as the evidence which lead them to conclude that there were two distinct positions within Band II warranting the split.

Consequently, according to a subsequent PDRI report, at the time of the survey, "it was hypothesized that the differences may be explained be [sic] examining the data separately for those who functioned as individual contributors versus those who functioned as engagement leaders or Analysts in Charge." *See U.S. Government Accountability Office: Impact of GAO Initiatives on the Content Validity of the Analyst and Specialist Competency Model and Performance Management System,* Technical Report No. 538 (May 2006) at 2. However, "at the time of the original analyses, ...data had not been collected that would enable determination of membership in these two groups, making it impossible to test this hypothesis." *Id.* There is no evidence that, at that time, GAO undertook or contracted for a more thorough analysis of the survey to determine the cause for the allegedly bimodal result as to the two aforementioned competencies. It is clear, therefore, that the 2000 PDRI study did not compel GAO to the conclusion that the Band II analyst level in fact comprised two separate and distinct positions.

In February, 2004, GAO entered into another contract with PDRI to obtain "continuous improvement of GAO's competency-based performance management system for Analysts/ Specialists." *See* GAO Purchase Order 2004201 at 7 (*Statement of Work*). Two years later, GAO modified the contract to request PDRI's " assistance in reanalyzing the job analysis data used to validate the Analysts and Specialists Competency Model to verify that the Developing People and Investing Resources competencies are relevant to the Band IIBs." *See Statement of Work* supporting Modification No. 4 of GAO Purchase Order 2004201. In so doing, GAO stated its belief that the so-called bimodal response to the earlier survey "was *further* indication that there were two types of Band IIs-those who primarily functioned as engagement leaders and those who primarily functioned as individual contributors" and noted its assumption "that those indicating that these two competencies were relevant to their work were primarily the engagement leaders." *Id.* (emphasis added). However, GAO failed to identify or produce any documented evidence, either pre- or post- the PDRI survey, that there were in fact "two types of Band IIs."

Although information regarding employee "membership in these two groups" was not available at the time of the original survey, PDRI stated that, in the interim, "GAO collected data as to whether or not respondents had served as engagement leaders or individual contributors." *See* PDRI's Technical Report No. 538 at 2. PDRI did not indicate how GAO collected this information. Nevertheless, its Report states that of 1208 Band II respondents to the 2000 survey, 767 were Analysts-in-Charge[3] and 441 were not AICs.

The fact that 63% of the original survey respondents were Analysts-in-Charge (AICs) substantially undercuts GAO's assumption that the "bimodal" response demonstrated the presence of two distinct positions within the Band II. In addition, however, upon reanalysis, the percentage of AICs who responded that the eleven enumerated work activities under the Developing People and Investing Resources competencies were not relevant was also considerable, in no case lower that 10% and in some instances reaching as high as 30% and 37%. In fact, in subsequently validating these competencies for the Band IIB, PDRI concluded that only eight of the eleven work activities identified in the survey would be appropriate.

The GAO Executive Committee has likewise cited the work performed by Watson Wyatt relating to GAO's compensation system as a compelling factor in the decision to split the Band II Analyst/Specialist force. Specifically, they stated in depositions that the Watson Wyatt study confirmed that there were two distinct positions within the Band II. However, this claim is at

[3] At GAO, an analyst-in-charge (AIC) is responsible for leading the engagement.

odds with Watson Wyatt's own characterization of its study set forth in a briefing provided by Watson Wyatt to the Executive Committee on October 29, 2004. *See Government Accountability Office, Executive Committee Briefing: Compensation Design Options* (Oct. 29, 2004). Among the design characteristics that Watson Wyatt identified as originating with the Executive Committee was that "[t]he difference between Band 2 'leaders' and 'individual contributors' should be recognized." *Id.* at 5. The evidence thus indicates that Watson Wyatt designed its study presuming the existence of two separate positions at the Band II level pursuant to the Executive Committee's direction, rather than independently discerning such a bifurcation in the Band after examination of the GAO workforce.

In sum, absent any documented evidence demonstrating that the structure of the Band II Analyst/Specialist in fact deprived employees of "equal pay for work of equal value over time," GAO would not be able to show that the petitioners' demotions were for such cause as promotes the efficiency of the service. Absent such a showing, the demotions would not have been sustained.

In addition, the PAB/OGC was prepared to show that the restructuring process deprived petitioners of the procedural due process mandated by 5 U.S.C. §7513. In support of that claim, we would have presented evidence that in May, 2005, GAO issued its Project Plan (Plan) for Restructuring the Band II Analysts/Specialists. The Plan contemplated two phases with the following goals: (I) develop and provide proposals to the Executive Committee regarding the roles, responsibilities and competencies of the Band IIA and IIB positions and (II) identify the criteria and devise the process for making the initial placements into Band IIB.

Testimony of Anne M. Wagner, May 22, 2007

The two phases of the Plan were to be carried out sequentially by task teams, consisting primarily of GAO Directors. Although members of the Employee Advisory Council[4] were also assigned to the teams, Band II analysts and specialists were not otherwise invited to be part of the task teams. GAO employees were subsequently told that the task teams developed a proposal outlining the roles, responsibilities and competencies applicable to Band IIA and B. *See* "Talking Points for Band IIA/B Restructuring Analysts Community Town Hall Meeting" (August 5, 2005), In fact, however, Susan Kladiva, the Project leader working under the close direction of the Executive Committee, provided the teams with prepared drafts of proposals that defined the roles, responsibilities and competencies of the Band IIA and IIB positions, as well as the criteria and process for the restructuring.[5]

The task teams conducted numerous focus groups allegedly consisting of randomly selected employees from throughout GAO. Participants were not given copies of the straw proposals in advance or even at the meetings.

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[4] GAO's Employee Advisory Council (EAC) was established by the Comptroller General to serve as an advisory body to him and other senior executives.

[5]Writing to the Executive Committee regarding these so-called "straw" proposals, Ms. Kladiva stated that "[f]or the analysts and specialists, we stayed close to what we can related to the validated competencies and performance standards for Developing People and Investing Resources. I think these additional competencies-with their related work activities and standards-give us a clear basis for defining what a "2b" does in a way that is distinguished from a "2a." *See* Email from Susan Kladiva to Executive Committee (May 26, 2005). Yet, later, in dismissing employee concerns that these competencies were inherently Band III functions, GAO stated that "[b]ecause both competencies were validated for Band II, we believe they apply to the Band IIB pay range." *See Talking Points for Band IIA/B Restructuring Analysts Community Town Hall Meeting.* (Aug. 5, 2005)

Testimony of Anne M. Wagner, May 22, 2007

Phase I concluded in mid-July 2005 with the posting of the proposals relating to roles, responsibilities and competencies of the Band IIB and a "town hall meeting" led by the Executive Committee. Phase II concluded in September with the posting of the restructuring criteria and process proposals and a town hall meeting in September 2005.

On September 27, 2005, GAO posted a document on its intranet website titled "Band II Restructuring roles and responsibilities for Senior Analysts in the IIA and IIB pay ranges..." GAO also indicated that it had posted "straw proposals" regarding the criteria and process for the Band II restructuring on the GAO intranet on September 23, 2005. GAO's announcement indicated that it had posted the proposals for a 30-day comment period ending October 24, 2005.

On October 7, 2005, prior to the expiration of the comment period, GAO posted Draft Order 2900.3 containing what it characterized as the "latest" version of the "roles and responsibilities" factor to be used in the Band IIB selection, as well as additional information about the straw proposals regarding the other criteria and placement. Among the allegedly "clarifying details and minor revisions" in the Draft Order was the shift to the use of standardized rating scores (SRS), rather than appraisal averages, for determining eligibility for initial placement into Band IIB.

On October 26, 2005, GAO changed the period for commenting on the Band IIB standards to November 3, 2005 "in order to properly consider comments prior to the Band II restructuring." On November 3, 2005, David Walker held a "special CG chat" to provide an "overview of decisions related to the Band II restructuring, and key information on the design and implementation of GAO's new compensation system."

On November 4, 2005, a day after the close of the comment period, GAO issued Order 2900.3 captioned "Band II Restructuring" (Order) establishing the policy and procedures for restructuring the then-unified Band II analysts and specialists into two separate pay categories: Band IIA and Band IIB. On November 8, 2005, GAO announced a change to the eligibility requirements contained in the promulgated Order as well as to the meeting schedule for the centralized panels. *See* GAO Order 2900.3, ch. 1(1).

To be eligible to apply for Band IIB placement under GAO Order 2900.3, an employee was required to meet one of three criteria: (1) meet certain minimum requirements with regard to his/her SRS for FY 2003-2005. The SRS is based on a formula devised by GAO using standard deviation principles to assess an employee's ratings relative to those of all Band II employees on his/her mission team[6], or (2) been converted from a GS-14 position to the Band II on June 15, 1989, or (3) been appointed to GAO after June 15, 1989 and held a GS-14 or equivalent position in the federal government prior to appointment. *See* GAO Order 2900.3, ch. 2(2)(a)-(e). The SRS of a Band II employee who was not working in a mission team was determined by comparison to ratings of Band II employees in "small offices," such as the Congressional Relations, Field Operations, and Human Capital Office. *See* GAO Order 2900.3, ch. 2(4)(b).

On November 7, 2005, GAO's Human Capital Office (HCO) notified Band II staff by email of their eligibility or ineligibility to be considered for placement in Band IIB. Of 1238 Band II employees, 670 were found to have met the basic eligibility requirements.

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[6] The work performed by the GAO's analyst workforce takes place, for the most part, within the following thirteen mission teams: Acquisition and Sourcing Management (ASM); Applied Research and Methods (ARM); Defense Capabilities and Management (DCM); Education, Workforce and Income Security (EWIS); Financial Management and Assurance (FMA); Financial Markets and Community Investment (FMCI); Health Care (HC); Homeland Security and Justice (HSJ); Information Technology (IT); International Affairs and Trade (IAT); Natural Resources and Environment (NRE); Physical Infrastructure (PI); Strategic Issues (SI).

Employees who did not meet the basic eligibility requirements could nevertheless request a "special eligibility determination" by submitting a "written business case" identifying: (1) reasons why the employee should be considered and (2) any unique circumstances that should be considered. *See* GAO Order 2900.3, ch.2(3)(a). The Order provided for consideration of these requests by a panel of senior executives, which consisted of the following staff directors: Jesse Hoskins (HCO); Timothy Bowling, Quality and Continuous Improvement (QCI); Helen Hsing Strategic Planning and External Liaison (SPEL); and Ben Nelson (QCI). Employees seeking special eligibility had to submit their requests by November 9, 2005 and were to be notified of the panel's decision by November 14, 2005. Of the 108 employees who sought a special eligibility determination, the panel approved 96 for eligibility to apply for the Band IIB.[7]

GAO further found as eligible an additional 28 employees who did not have the requisite ratings for FY2003-2005 but could demonstrate qualification based on directly related outside experience. In total, 794 (64% of all Band IIs) were allowed to apply for placement into Band IIB.[8] GAO required that all employees seeking placement in Band IIB submit an application no

[7]Ninety-four of the 96 individuals deemed eligible under this provision applied for Band IIB. Only five were selected.

[8] In addition, GAO Order 2900.3 provided that all employees in job series 347 (Analyst) and 511 and 510 (Auditors and Accountants) throughout GAO, and job series 2210 and 1150 (IT Specialists) in the IT team would be presumed to be analysts - as opposed to specialists -for purposes of the restructuring. *See* Order 2900.3, ch. 4(1)(a). However, it also provided that employees could seek review of this classification. *See Id.* at ch.4(2). Employees wishing to challenge their classification had four days – until November 9, 2005 – within which to submit their request. Employees were to be notified of GAO 's decision regarding their classification appeal by November 14, 2005. An employee who was not satisfied with the decision had only two days - until November 16, 2005 - within which to seek reconsideration, the decision on which was to be issued by November 18, 2005.

later than November 21, 2005. Only 757 of those deemed eligible submitted applications for placement into Band IIB.

The GAO restructuring Order 2900.stated that eligible employees would be assessed for placement into Band IIB on three factors: (1) roles and responsibilities, i.e., whether the employee had actually been performing the roles and responsibilities of the IIB pay range to a significant degree and on a recurring basis; (2) past performance, i.e., had the employee consistently demonstrated strong relative performance as a Band II employee, and (3) performance potential, i.e., did the employee have the ability to immediately perform at the "meet expectations" level in "Developing People" and "Investing Resources." *See* GAO Order 2900.3, ch. 2(8)(a)-(c). None of these three selection criteria had been validated prior to the implementation of the restructuring.

As to the decision-making process, the Order provided for a "unit consultation" wherein each Managing Director was to meet with the team's Directors to obtain input with regard to each applicant within the team. *See* GAO Order 2900.3, ch. 2(10). In preparation for the unit consultation, the participants were given binders ("notebooks") containing the applications, performance ratings, standardized rating scores and averages, and Mission Assignment Tracking System (MATS) data for each applicant employee from that team. Based on a review of the data contained in the notebooks and input from the Directors, the Managing Director was to form a "yes," "no" or "unsure" preliminary recommendation regarding the placement of each applicant from the team into Band IIB. *Id.* The unit consultation meetings between the team Managing Directors and Directors took place between November 22 and December 1, 2005.

In addition, each Managing Director served as a panel member on a Centralized Panel (Panel) consisting of at least two other Managing Directors. *See* GAO Order 2900.3, ch. 2(11).

Testimony of Anne M. Wagner, May 22, 2007

Each Managing Director was required to review the data contained in the prepared notebooks for each of the employee applicants from the other teams represented on his/her Centralized Panel, and, based on this paper review, make a similar preliminary recommendation of "yes," "no" or "unsure." *Id.*

There were five Centralized Panels structured by teams:

Panel 1: Homeland Security and Justice (HSJ), National Resources and Environment (NRE), and Physical Infrastructure (PI)

Panel 2: Education, Workforce, and Income Security (EWIS), Financial Markets and Community Investment (FMCI), and Health Care (HC)

Panel 3: Acquisition and Sourcing Management (ASM), Defense Capabilities Management (DCM), International Affairs and Trade (IAT)

Panel 4: Financial Management and Assurance (FMA), Information Technology (IT), and Strategic Issues (SI)

Panel 5: Small Offices

See GAO Order 2900.3, ch. 2(11)(b). In addition, a sixth Centralized Panel consisting of all Managing Directors whose teams employed specialists was convened to assess the specialists. *See* GAO Order 2900.3, ch. 2(12).

Under the Order, Panel members were to meet and discuss whether their preliminary recommendations as to each employee were appropriate. *See* GAO Order 2900.3, ch. 2(11)(b). They were authorized to change their preliminary recommendations, but if they were unable to reach agreement with regard to selecting the employee for the Band IIB, the employee was to remain in the "unsure" category. *Id.* The Chief Operating Officer and Chief Administrative Officer served as chair and vice chair, respectively, of the Panels, but were not to serve as panel members. *Id.* After receiving recommendations from the Panel, the COO and CAO were to make a joint preliminary determination as to whether an employee should be placed in Pay Band

IIB. *See* GAO Order 2900.3, ch. 2(11)(c). Thereafter, the GAO Human Capital Office (HCO) and Office of Opportunity and Inclusiveness (OOI) were to review the preliminary determinations of the COO and CAO and provide input prior to any final determinations. *See* GAO Order 2900.3, ch. 2(11)(d).

The Centralized Panels met between December 6 and 9, 2005. Gene Dodaro (COO) and Sallyanne Harper (CAO) led and facilitated the Panel discussions of the employee applicants.

The Order identified ten characteristics respectively for the Band IIB analyst and specialist "roles and responsibilities" criterion. *See* Order 2900.3, Appendix I. Yet, as is clear from their deposition testimony as well as their notes made contemporaneously with the restructuring decisions, Mr. Dodaro and Ms. Harper relied almost entirely on the number of hours analysts worked as an Analyst-in-Charge (AIC) on engagements and on the risk level of the engagements. With regard to specialists, the defining factor was the number of different engagements that the individual worked on simultaneously. However, during the FY 2003-2005 time period, GAO employees were not informed that failure to work significant hours as an AIC would be the basis for demotion in the future. In any event, assignment as the AIC on an engagement was within management's discretion and not within the control of individual analysts or specialists.

Furthermore, we believe that the record would show that the emphasis on the "risk" level of the engagements as a deciding factor was contrived. According to a number of GAO officials, a "high risk" designation signified primarily that the engagement was to be overseen by the highest levels at GAO. Such a designation, however, did not necessarily reflect the substantive significance or complexity of the engagement, but instead, might reflect other reasons for management's attention, such as the engagement's political sensitivity, for example, over which the analyst/specialist had no control.[9]

As to the second criterion relating to "past performance," employees were assessed based on their standardized rating scores, their SRS averages, and their annual performance ratings from the three previous annual rating cycles, FY 2003-2005. However, again, during the FY 2003-2005 time period, GAO employees were not informed, and had no reason otherwise to anticipate, that ratings of "meets expectations" and above might nevertheless be the basis for future demotion. Furthermore, the PAB/OGC was prepared to question GAO's reliance on the appraisals as the bases for the demotions in light of evidence obtained through the investigation and discovery that at least some GAO managers lowered and manipulated individual ratings under pressure to achieve an artificial dispersion in the ratings.

Moreover, the PAB/OGC's analysis of employees' standardized ratings scores and averages indicated that these did not in fact capture meaningful distinctions in employee performance as claimed by GAO. Rather, our review of the relevant data for all Band IIB applicants revealed a number of anomalies with regard to the SRS, and particularly the SRS averages, that called into question the reliability of this information as grounds for the restructuring decisions.[10]

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[9] Moreover, GAO derived the information concerning AIC hours and risk levels from its Mission and Assignment Tracking System (MATS), which evidence showed was not always accurate.

[10] While preparing for litigation of the Band II cases, we met with two statisticians to determine whether to retain the services of a professional to assess GAO's approach to standardizing ratings. Soon after obtaining the necessary authority to contract with one of them for the purposes of analyzing GAO ratings data, the PAB/OGC entered into settlement negotiations with GAO. Thereafter, we did not take any further action to enter into a contract for a statistical analysis of the ratings data.

The record would also show that in making their preliminary determinations, the COO and CAO applied new "interpretative" standards for determining employee selection into the Band IIB. Furthermore, in the case of approximately 56 employees, including two petitioners, they declined to follow the Panel's recommendation approving selection for Band IIB and instead rejected the applications. With approximately five others, they did not follow the Panel's recommendation rejecting the applications, and instead approved the employees' selection for Band IIB. In approximately two cases for which the Panel indicated that it was unsure, the COO and CAO approved the placement into Band IIB, whereas with approximately twelve others, including another petitioner, they rejected the applicants for Band IIB.

Thereafter, Managing Directors notified employees of the final decisions between December 16 and 23, 2005. Employees were given until January 13, 2006 to seek "feedback" regarding the decisions. Employees who were not placed into Band IIB could also request reconsideration from the Comptroller General (CG). *See* GAO Order 2900.3, ch. 2(13)(b). Under the terms of the Order, the CG was to review each request and the information considered by the Panel. *Id.* The Order did not, however, provide the standard to be applied by the CG in reconsidering the decision not to place the employee into Band IIB. The Order did not notify employees of their right to be represented during the feedback or reconsideration process. It warned employees that the CG would not consider objections to the restructuring policy or process.

Employees who sought reconsideration were not told that the CG might rely on information beyond the scope of their application. In fact, Mr. Walker sought and relied upon employee information and data that went beyond the three-year period contemplated by the

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Order. In one instance, for example, a petitioner who sought reconsideration and met with Mr. Walker was completely surprised that the CG was relying on pre-2003 performance data in his reconsideration. Had he known, he could have come to the meeting prepared to address those issues.

Approximately nineteen individuals who sought reconsideration from Mr. Walker were approved for placement into Band IIB. These included employees who had been recommended, as well as those who had been rejected by, the Centralized Panels for inclusion in the Band IIB. In addition, five individuals whom the COO and the CAO rejected and who did not seek reconsideration were also placed into Band IIB upon reconsideration. Ten of the twelve petitioners sought reconsideration from Mr. Walker. None were granted.

Ultimately, 433 Band II employees (35% of all Band IIs) were placed into Band IIB and the remaining 324, including the twelve petitioners, were placed into Band IIA. The effective date of the placement decisions was January 8, 2006.

Prior to the issuance of GAO Order 2900.3, employees in Pay Band II were subject to the same minimum and maximum pay, adjusted by geographical location. On January 20, 2006, GAO issued a revised Order 2540.3, which, *inter alia,* eliminated annual pay adjustments for Band IIA employees whose pay exceeded the maximum pay rate for Band IIA. On February 8, 2006, GAO issued the *FY 05 Performance-Based Compensation (PBC) Guide for Analysts, Specialists and Investigators (Guide)* which was intended to supplement GAO Order 2540.3. Appendix 2 to the *Guide* set forth the pay ranges for Band IIA and Band IIB for each geographical zone. The pay range minimums and maximums applicable to Band IIA were significantly lower than those applicable to Band IIB.

Testimony of Anne M. Wagner, May 22, 2007

The *Guide* provided that any portion of the GAO-wide 2.6% annual pay adjustment that exceeded the maximum rate of pay for Band IIA would be "lost." *Guide* at 6. In addition, it provided that any Band IIA employee whose salary in December 2005 was in excess of the Band IIA maximum rate was covered by the Band IIA Transition provisions. *Guide* at 7. These provisions stipulated that any Band IIA whose salary was in excess of the Band IIA maximum rate would not receive the 2.6% annual pay adjustment, would receive only 50% of their Performance-Based Compensation (PBC) bonus as a permanent salary increase up to the IIA transition salary range maximum, and not receive any of the remaining portion of the PBC as a performance bonus.

As a result of their placement into Band IIA, eleven of the twelve petitioners were denied the 2006 annual pay adjustments and received only part of the performance-based compensation to which they were entitled.

Based on the foregoing, the PAB/OGC was prepared to argue that GAO did not accord petitioners the requisite 30-day notice and meaningful opportunity to respond to GAO's decision to demote them. Specifically, GAO notified employees of their Band IIB eligibility status on November 7, 2005. Employees who wanted to avoid placement into Band IIA had only until November 21, 2005 to make their case through written application. Having been informed on December 16, 2005 of their demotions, they were given only until January 13, 2006 to seek feedback from their Managing Directors, who were not the decision-makers and did not have the authority to alter the decision. The Order 2900.3 did not provide for any opportunity for employees to respond, either orally or in writing, to the COO and CAO. Petitioners were given an opportunity to seek reconsideration from Mr. Walker. However, they were not notified as to the standards and additional evidence that Mr. Walker would rely upon in making his decision. They were also precluded from raising any challenge to the process.

The PAB/OGC was further prepared to show that the petitioners' demotions must be overturned in the face of the numerous harmful errors made in the course of relying upon and applying procedures used in restructuring. *See* 5 U.S.C. §7701(c)(2). These included:

1. Failure to notify GAO analysts and specialists prior to, or during, the FY 2003-2005 appraisal years that performance at a "meets expectation" level could lead to demotion;

2. Failure to notify GAO analysts and specialists prior to, or during, the FY 2003-2005 appraisal years that work activity outside of the Analyst-in-Charge role during this period could lead to demotion;

3. Failure to validate the criteria used in the placement process;

4. Inconsistent application of the selection criteria and ongoing revision of the criteria during the course of the restructuring;

5. Reliance on information not identified in GAO Order 2900.3;

6. Reliance on faulty data from the Mission and Assignment Tracking System (MATS);

7. Reliance on the standardized rating scores and SRS averages;

8. Lack of notice to employees with regard to the actual standards and procedures used in the reconsideration process; and,

9. Inconsistent application of standards and procedures in the reconsideration process;

In addition, based upon the facts described above, the PAB/OGC was prepared to show that the Band II restructuring violated Pub.L. 108-271, §9. Specifically, we would have argued that GAO Order 2900.3 established a system to appraise GAO employees that did not meet the requirements of 5 U.S.C.§4302 as required by 31 U.S.C. §732(d)(1) in that

1. GAO did not encourage meaningful employee participation in establishing standards used in restructuring Band II. *See* 5 U.S.C. §4302(a)(2);

2. GAO did not adopt standards that permitted, to the maximum extent feasible, the accurate evaluation of job performance on the basis of objective criteria related to the job in question for each employee or position affected by the Band II restructuring;

3. GAO did not evaluate employees for purposes of restructuring on basis of the standards used to evaluate their performance during the three previous years;

4. GAO did not communicate Band II restructuring standards with sufficient advance notice to permit GAO employees an opportunity to conform their work history and performance to avoid demotion to Band IIA; and,

5. GAO's restructuring did not include effective transparency and accountability measures to ensure that its management was fair, credible, and equitable as required by Pub.L. 108-271, §9. Specifically, there was no transparency and accountability in

    a. GAO's *post hoc* reliance on employee performance and work activity during FY 2003-2005 appraisal years;

    b. a policy that performance at a "meets expectation" level could lead to demotion;

    c. determination that AIC responsibilities and online work would be so critical in assessing analysts for restructuring purposes;

    d.. emphasis on the risk level associated with engagement;

    e. formulation of the GAO workforce analysis, competitive pay rates and market-based survey conducted by PDRI and/or Watson Wyatt;

    f. manipulation of ratings;

    g. calculation of the SRS scores;

    h. the application and ongoing revision of the selection criteria during the restructuring; and,

    i. the standards and procedures used in the Band II restructuring reconsideration process.

We also intended to argue that the elimination of petitioners' annual adjustment was contrary to Pub.L. 108-271. This claim presented a question of law that turned upon a straightforward reading of the statutory language and an examination of its legislative history.

Testimony of Anne M. Wagner, May 22, 2007

In addition, we submit that the record would have shown that petitioners' reassignments into Band IIA violated 5 U.S.C. §2302(b)(12). The elements of that cause of action required a showing of (1) a personnel action (2) that violated a law rule or regulation (3) which implements or directly concerns a merit systems principle. Each of these elements would have been met here. First, the reassignments are plainly personnel actions within the meaning of §2302(b)(12). Second, for the reasons discussed above, the reassignments violated Pub.L 108-271 §§3 and 9. Third, the cited statutory provisions plainly implemented or directly concerned merit system principles of equal pay for equal work, protection against arbitrary action, and due process rights.

Finally, assuming *arguendo* that the Board found the Band IIB restructuring process to be consistent with law, the PAB/OGC was prepared to show that the petitioners met the criteria as stated in Order 2900.3.

Mr. DAVIS OF ILLINOIS. Thank you very much, Ms. Wagner.

We will now proceed to the question period.

Part of our staff has put on the easel some exhibits, and those are exhibits 1 and 2. We called them, Mr. Walker, and they are the EAC and your House subcommittee hearing testimony on Human Capital II as reflected during the hearing period.

Members of Congress often engage in colloquies between themselves so that their intent and promises are documented for the record. Members often ask hearing witnesses to make commitments on the record that are intended to govern future action of the parties making the commitment. Members of Congress govern themselves by commitments they make on the record, and they expect hearing witnesses to do the same.

It is clear from the record that Members were concerned that you would deny employees who meet expectations an annual across the board increase and therefore extracted a commitment from you on the record that you would not do so without regard to your analysis and interpretation of Watson Wyatt.

What would perhaps then give you the feeling that you could change this commitment without any effort to make sure that all of the involved parties had an understanding of the rationale that you were using?

Mr. WALKER. Well, Mr. Chairman, first let me say that I said before, as I noted in my statement, that obviously there are certain Members who believe that I promised something that I do not believe that I promised, and because of that expectation gap, I think that is unfortunate. Had I known that such a gap existed, I would have come up here earlier.

But let me reiterate something that I said earlier. I went back and researched personally, myself, and had it confirmed by others over the last week or so in preparation for this hearing, whether or not any person including any GAO employee ever asserted until after the Band II restructuring was final, that the fact that we weren't going to give across the board pay adjustments to people who were paid in excess of market-based levels would not get across the board adjustments. Whether or not anybody asserted that would have been a breach of my promise, and the answer is no one did.

If you look at the November 2005 summary that I did which made it very clear that was what we were talking about. No one commented on that. Nobody complained about that. It wasn't until after the Band II restructuring became effective that I first started hearing things.

Second, I spoke with Mr. Van Hollen personally because I was aware of this colloquy, and I spoke with him personally in early 2006 in order to talk to him about that.

The bottom line is this: I am not going to dispute what I said. I did say that.

But I think you have to keep in mind four things: No. 1, contextual sophistication, we were testifying about going to a market-based system that included concepts of equal pay for work of equal value over time and competitive pay levels. Second, I didn't know then and I didn't find out until a year and a half later that we had people paid above market. Third, I was not asked, nor did I answer, whether or not we would give across the board adjustments for people paid above market.

And, fourth, the expressed statutory criteria that I am required to consider, which I have before me, says, among other things, there shall be substantially equal pay for work of equal value within each local pay area and also ones dealing with provisions that require for us to be competitive with people in markets where we have people.

I am sorry that there was an expectation gap. Had I known that it existed, I would have come up quicker, but I believe that my actions were consistent with my commitment and I believe they are consistent with the law.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Ms. Wagner, you just heard Mr. Walker's interpretation and analysis of that exchange. If you were to give an interpretation of what it meant and its impact, how would you characterize it?

Ms. WAGNER. Well, Mr. Chairman, any analysis of the legality of agency action would be determined by reference to the statutory language on its face. If that language was ambiguous, then the next step to discern the meaning of the language would be to go to legislative history so that, first and foremost, in trying to determine what this language means, any court would go first to the language itself.

I think that the language on the face of the statute, which speaks in terms of mandatory terms of shall, would be, to a court, persuasive argument that Congress intended that employees who were performing at a meets expectations level were entitled to an annual adjustment. There is nothing in the face of the statutory language that suggests that the Comptroller General has the discretion to eliminate for employees who are performing well, to eliminate entirely the COLA.

For instance, if this case had gone to hearing, if the Board were to conclude that the language was ambiguous on its face, the next step would be to go to legislative history. The fact is that the testimony at the time that Congress enacted this statute clearly indicated that its understanding of what it was doing at this time was to provide employees who were performing at a meets expectations level with an annual adjustment.

The fact that there might be some events that arose later does not, cannot retroactively be used to ascertain what Congress intended in 2004 when it enacted that statute.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Mr. Walker, in March 2006, in reply to questions submitted by Representative Hoyer during an appropriations hearing, you stated that your commitments to Congress and the GAO employees in 2003 were accurate at the time but that your views were altered about whether and when employees should receive pay adjustments after completion of the 2004 Watson Wyatt-based compensation study. Last week in a Federal Computer Week article, you made the same assertion, that the Band II split and subsequent policy determination that some GAO employees are overpaid was a direct result of the Watson Wyatt study.

However, in Appendix 7 on page 18 of your testimony, it states that in August 2002, GAO's Employee Advisory Council and Executive Committee began to discuss the feasibility of splitting the Band II level. If the EAC and the EC were meeting to discuss the Band II split in 2002, how could the decision to split the Band II level result from a 2004 Watson Wyatt study?

Mr. WALKER. Let me, if I can, provide an executive summary of a chronology of events if it would be helpful to the Members.

First, PDRI did its work in 2000. PDRI's work gave an indication—it was not dispositive—that there were potentially different roles and responsibilities in Band II.

Frankly, I didn't need PDRI to tell me that. It was blatantly obvious from my period of time being at GAO. I came to GAO in November 1998. I had extensive knowledge of what GAO was doing, the levels that we had. I did significant research on what we did in 1989 to restructure the agency, and I knew that we had apples, oranges and pears in Band II. All PDRI did was just to reconfirm something that I knew.

So we talked back in 2002 that there may be a need at some point in time in the future to consider restructuring Band II. Many things happened between 2002 and 2006 when we ultimately did. We talked about various options of not splitting Band II by potentially having different speed bumps within Band II. We talked about a hard split of Band II. Ultimately, we ended up with a hybrid of the two.

At the time of July 2003, I did not know then that we had any GAO employees who were paid above market. That fact was not known to me. That fact was not known to any Member, and to my knowledge that fact was not known to anybody.

And so, I believe that my statements were accurate at the time and, as I said, had I known that we had people paid above market, then I would have addressed that issue directly. But not knowing it and considering the context of what we were talking about at the time, frankly, it didn't even occur to me.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Walker.

I am going to now go to Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

Mr. Walker, in testimony before our subcommittees you said that reasonable transparency is essential in the development of a new personnel system. I would like to talk to you about the standardized rating scores [SRS]. It is my understanding that GAO developed the SRS to help address differences in how managers rate their employees and is used to determine an employee's performance pay.

Can you explain how the SRS is calculated and if the data and methodology has been provided to GAO employees?

Mr. WALKER. Sure. I think it is important to understand what the SRS is and why we did it.

Our employees are rated by designated performance managers. Their ratings are reviewed by SES members. All the ratings are subject to independent review by our Office of Opportunity Inclusiveness and our Human Capital Office before they are finalized. But they are done on a team by team basis, and for GAO we have 13 major teams for the work that we do in conducting auditing, evaluations and investigations.

Our Employee Advisory Council, several years ago, expressed concerns about the differences in average ratings between the various teams, and they asked us to explore what, if anything, could be done to try to assure horizontal equity with regard to the application of performance-based compensation, given some of these differences.

In doing that, we looked at various options. One of the options that we looked at was the so-called Z Score approach that was brought to our attention among many others by Watson Wyatt, and that was way of normalizing ratings across the various teams.

We called it a Standardized Rating Score [SRS], and it was a way to basically take into consideration that there could be somewhat different average ratings between the different teams, but as long as one thought the talent in GAO was roughly equally distributed across the teams, then this was a methodology that you could try to assure equity between the teams.

In January 2007, we provided to all of our employees, how they could calculate their own SRS score, and I will be happy to provide that for the record if you want the detail.

Second, we made available from the first time that we ever used the SRS score. We made it available for our employees to be able to contact our Human Capital Office, if they had any questions at all about their score, to have it recalculated.

We had concerns expressed by our Employee Advisory Council and other employees that, gee, some employees would like to calculate their own SRS score. So listening to what they had to say, we have now made. We have made the entire thing transparent. People can calculate their own score if they want, and I am happy to provide the details for the record if you would like.

Senator AKAKA. Thank you, Mr. Walker.

In your testimony, you cited the Partnership for Public Service report on the Best Places to Work, in which GAO placed second, and noted that the ranking took place after GAO implemented its pay reforms. However, it is my understanding that GAO only asked three questions of its employees for the report.

Has GAO asked employees about the new pay system, specifically about splitting the Band IIs and not giving everyone a COLA who at least met expectations? If so, what has been the response and, if not, why?

Mr. WALKER. Well, Senator, first it is important to understand that since 1999 we have done an annual electronic confidential employee feedback survey of our employees which asks many, many, many questions.

The three questions that you properly refer to with regard to the Partnership for Public Service rankings are the ones that are asked of every agency in order to come with those rankings. So those are only three of many questions that are asked to our employees, but they have the exact same wording as the questions that are asked to other agencies. Therefore, we were ranked No. 2 among large Federal agencies based on that ranking.

With regard to the issue of whether or not we asked, as part of our employee feedback service, people as to whether or not they liked or didn't like the Band II restructuring or our new compensation system? No, we did not because that is, in effect, a poll. It is a poll.

As I said before, in my mind, what I get paid to do is to listen very carefully to our employees, to seriously consider everything that they have to say and to make adjustments as deemed appropriate but not to do what is popular. To do what I think is right.

Now, I will note for the record that our average ratings from our employees on issues like our performance management system have gone up over time under our new system, not down. Second, I will also note for the record that the average rating that our employees gave to whether or not our system is more performance-based or not in comp is better than most agencies.

Senator, a lot of people have opinions about this, but the facts are our friend.

Senator AKAKA. Ms. Wagner, Mr. Walker has testified that even though some employees were determined to be overpaid, no employees took a pay cut and all employees in Band II were given the opportunity to earn what they could have earned under the prior Band II pay system at the time of the conversion.

Based on your investigation into the 12 employees' petition, did any employee take a pay cut and were all employees given a real opportunity to be placed in Band IIB?

Ms. WAGNER. Mr. Chairman, our claim that the reassignment amounted to a demotion was based on two grounds: First, that the movement from Band II to Band IIA was, in effect, a reduction in grade. The second component of that is that the petitioners experienced a real reduction in pay insofar as being placed into IIA meant that they were not going to receive an annual adjustment to their basic pay rate.

With regard to that second point, the fact is that the employees did not have a pay cut per se in the sense that their paycheck was less the week before the restructuring than it was the week after.

However, we were prepared to argue before the board—and again I firmly believe that we would have prevailed on this—that unlike in the executive branch where you have a situation where you can have reassignments with pay retention, grade retention and the Merit Systems Protection Board might find that not to be a demotion, in this context where the employees were not going to get their annual adjustment or COLA, that the stagnation of their pay, in effect, really does amount to a reduction in pay. That was the claim that we were going to assert before the board.

The board has not ruled on that, so I can't say whether or what the board's view is, but I believe that it is a meritorious position and that we would have prevailed.

Senator AKAKA. Mr. Walker, would you like to comment?

Mr. WALKER. If I can, thank you, Mr. Chairman.

First, no employee took a pay cut.

No. 2, every Band II employee had the opportunity to make as much as they could have made under the old system as of the time of the conversion albeit at a slower rate than otherwise they could have done under the old system.

Third, Ms. Wagner is an advocate. She is not an independent judge. She is prepared to argue a lot of things. I am prepared to argue a lot of things. In my view, there is no question; we would have prevailed. She has the right to her opinion.

The fact is the matter was settled to the interest of all parties, and the only reason that we entered into a settlement is because this was putting this issue behind us. That is the only reason we entered into a settlement.

Senator AKAKA. Thank you very much for your responses.

Mr. Chairman, my time is expired.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Chairman.

We will now go to Ranking Member Marchant.

Mr. MARCHANT. Thank you.

General, what types of appeal rights are available to GAO employees that believe they have been treated unfairly?

Mr. WALKER. Thank you, Mr. Marchant.

It depends upon the issue involved. To give an example of the Band II restructuring which is really, I think, the primary concern here. I am not saying it is the exclusive concern, but I really think it is the primary concern. It was an unprecedented event. I wouldn't wish it on anybody.

There were a number of options they had. First, every employee had the opportunity to apply to be considered for Band IIB.

If they didn't like the decision, the initial decision that came out of that, they had the ability to appeal directly to me as part of a reconsideration process. A number of employees took advantage of that, and a number of those appeals were granted. In fact, some individuals who didn't even appeal to me because of the decision rules that I applied were granted Band IIB status even though they didn't appeal to me.

So, in addition to that, which was a supplemental effort, they had the ability to go to our Office of Opportunity Inclusiveness which is headed by Ron Stroman who will be on the next panel.

If they believe there was a discrimination complaint, they had the ability to go to the Personnel Appeals Board of which 12 employees did, and we settled that case. They filed timely appeals. The others didn't. That case has been settled.

They had the ability to go to district court, should they decide to go to district court.

So there were a number of different avenues available to individuals, and many individuals chose to take advantage of those avenues.

Mr. MARCHANT. If they go to district court, who bears the burden of the representation cost?

Mr. WALKER. The individual does, and that is why the PAB exists, Mr. Marchant. It is a very good question.

The reason the PAB exists is Ms. Wagner is the General Counsel of the PAB. She is not a judge. She was a former judge of the PAB. She is the person who, if people want to allege a violation of law, they can go to her.

She then has to do her own investigation to determine whether or not she is going to represent them. If she decides yes, then she can represent them and she becomes an advocate. She becomes a lawyer just like anybody else.

That case then would go before the Personnel Appeals Board and only the judges of the Personnel Appeals Board can make, can render a judgment which was not the case in any of these matters. They did not render any judgments.

Mr. MARCHANT. Ms. Wagner, do you feel like that there is adequate recourse for an employee to seek justice in their case?

Ms. WAGNER. Yes, I do. I think in this, in my response, I would like to address perhaps what Congresswoman Norton had raised before about the Personnel Appeals Board and whether it represents a fair and independent process for employees at GAO. I strongly believe in that.

I was, as the Comptroller General pointed out, a member of the Personnel Appeals Board as a judge. I now serve in the capacity as General Counsel.

The quality of the adjudication at the board is high. The independence of the decisionmaking is apparent to me, and I think is a matter of record so that an employee who has suffered an adverse action or prohibited personnel practice at GAO or believes that they have been unlawfully discriminated against, I think has recourse to the PAB for all of those claims as well as to internal agency appeal mechanisms which I can't address at this point.

But in terms of the board's process, I do believe that the process reflects a full due process right and adequately meets the needs of GAO employees.

Mr. MARCHANT. Has there ever been an instance where you had this kind of volume of protest?

Ms. WAGNER. No.

Mr. MARCHANT. In any other implementation?

Ms. WAGNER. No.

Mr. MARCHANT. What is the amount of time an employee will take to go through this process?

Ms. WAGNER. Our process is that an employee, the regulations contemplate that an employee has 30 days within which the file a charge with the Personnel Appeals Board, which is initially filed with my office, the General Counsel's Office.

By policy and practice, we have 90 days within which to investigate that charge. The purpose of that investigation is simply to reach a determination that reasonable grounds exist to believe that the violation has occurred or that the employee's statutory regulatory rights have been violated.

If we conclude that reasonable grounds so exist, we are required to offer representation to the individual, at which point we would file a petition on their behalf.

In this case, in the case of the restructuring, because of internal changes at the PAB and General Counsel's Office, employees filed, 15 actual employees filed timely charges in February 2006, challenging their demotion in to the Band IIA. I came on board in April 2006, and the investigation rapidly ensued.

We concluded those investigations in July. We conducted 60 some interviews of managing directors and other officials at GAO during that investigation. Once the report in the investigation was issued, we had, I think, 30 days within which to file a petition which was done in September 2006.

At that point, the discovery process was undertaken. It was an extensive discovery process. It concluded in February 2007.

So I don't know if that is a typical trajectory for the board. I don't think so. I think that because of the volume and the complexity and the importance of these cases, especially in terms of the discovery process, the period was extended. I do think that was warranted, however.

Mr. MARCHANT. If the case goes to a district judge, the plaintiff would have to bear the costs, but would the judge have the right to rule differently than you and award the legal costs to the employee?

Ms. WAGNER. I believe that the right of access to district court is limited to discrimination complaints so that the other rights that we were talking about, if it doesn't come within the framework of a discrimination complaint, those individuals would not have access to district court for that.

Mr. MARCHANT. OK, OK. Thank you.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Marchant.

Our timing equipment is slightly malfunctioning. So if people are watching the timer, we will just have to rely upon our regular Timex and move ahead.

Senator Voinovich.

Senator VOINOVICH. Thank you, Mr. Chairman.

Mr. Walker, I would like for you to put all of this in perspective. How many employees do you have?

You mentioned that 25 percent of them were found to be underpaid. What happened to those people?

You found 10 percent that were overpaid. You made it clear that you didn't cut their pay, all these cases go. How many people is that? I am interested in the big picture so everybody can understand just how many people we are talking about.

Last but not least, I would like you to tell me how many individuals are eligible for retirement from the GAO? Do you believe that this new pay for performance system is going to help or hinder your ability to recruit new people for the agency?

Mr. WALKER. Well first, Senator, we have roughly 3,150 to 3,200 total employees.

With regard to the Band II restructuring which took place in January 2006, which is unprecedented, it has never happened before and Lord knows I don't want it to ever happen again. I wouldn't wish it on anybody. As I recall, there was 1,400 to 1,500 individuals that were covered by that. I believe that is about right, but I will provide an exact number for the record.

Twenty-five percent of the individuals were deemed that they should have the opportunity to earn more money over time. One example of that is when we restructured Band II, the way that our old system worked——

Senator VOINOVICH. By the way, did they get a pay increase?

Mr. WALKER. They get the opportunity to make more money immediately. We didn't give them an automatic pay increase, no. We couldn't afford to, quite frankly. As you probably recall, GAO's budget has not kept pace with inflation since 2003.

But what we did do was give them an opportunity to earn more money over time. Let me give you a specific example that relates to Band II restructuring. It is very important.

Under our old system, all Band IIs were treated the same, no matter what their roles and responsibilities were. Everybody had an opportunity to make the pay cap, irrespective of their performance. Everybody had the opportunity to make up to over $118,000 a year.

Under the new system, people who are Band IIBs have the opportunity to make up to about $128,000 a year, $10,000 more than they ever could have made under the old system. That is the good news, and that is a big portion of the 25 percent but not all.

The bad news is that those that were Band IIBs—IIAs, I apologize—IIAs, the market said they ought to be able to make roughly about $104,000. These are the numbers as of the time, as I recall. Now, over for those people, we didn't cut their pay and we gave them a chance to make up to about $118,000 which they could have made under the old system but at a slower rate.

But if they get placed into Band IIB, and many of them have, quite frankly. That is one of the reasons why we have gone from 10 percent with no across the board adjustment in 2006 to 5 percent in 2007. If they get placed into IIB, not only will they get the across the board adjustment, they will be able to make more money if they perform well than they ever could have made before.

And so, there is good news and bad news with this. There is absolutely no question about it, but there is more good news than bad news.

The bottom line question that you asked me, absolutely, I think this is going to enable us to attract and retain quality people over time. If I didn't think that it would do that, we never would have done it.

Senator VOINOVICH. How many people right now are involved in the controversy, you have had appeals and you have settled them.

Mr. WALKER. Sure.

Senator VOINOVICH. How many people are we really talking about in an agency of how many, 3,200? How many are really involved still in this controversy?

Mr. WALKER. There is about 5 percent.

Senator VOINOVICH. Some of them are here today that are unhappy.

Mr. WALKER. Yes, sir, I realize that.

Senator VOINOVICH. I could see the expressions on their faces during your testimony.

Mr. WALKER. Sure, that is fine. I mean my testimony is very fact-based, so I don't have any problem.

About 5 percent of our employees did not receive an across the board adjustment 2007. That is down from 10 percent last year and, as the exhibit in my testimony shows, it will go to zero before I leave office.

How quickly it will go to zero depends upon two things: No. 1, whether or not these individuals get placed into IIB in which case they would be able to make more money than they ever could make, and No. 2, how much we index the pay ranges every year. Last year, we indexed our pay range by 3 percent which was more than the GS system indexed its pay range.

Senator VOINOVICH. OK, but the fact of the matter is that you had 320 employees, 10 percent, and now it is down to 160 of 3,200 employees, correct?

Mr. WALKER. About 150 to 160, yes, sir, that is my recollection.

Senator VOINOVICH. Thank you.

Thank you, Mr. Chairman.

Mr. DAVIS OF ILLINOIS. Thank you very much, Senator.

We will proceed to Delegate Norton.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. Wagner, you are a good advocate. It is very clear you are a good advocate because it is clear that is why GAO settled.

We weren't casting aspersion on you or on the board although I do note for the record that when this committee asked for you to come and meet with this committee, the board, the board of GAO which, of course, is a congressional entity, initially refused to have you come to speak to Members of Congress. If I may say so, Mr. Walker, I don't think that speaks well for the independence of the board or for its respect for Congress.

My concern is with the unheard of across the board authority. I noted in my opening statement that there was a term, so that provides some protection, but I did not see how you can have confidence in a system where the members of the board are appointed exclusively by the person against whom complaints are filed. As you and I know as lawyers, part of the importance of justice is the appearance of justice, and I am going to look into whether or not there is some adjustment that should be made in that regard.

Mr. Walker, you just spoke of budget restraints on your own budget, but we do note that at least we are told, and perhaps you can correct this notion that your managing directors and that your executive committee each received $20,000 bonuses. What performance system are they subject to? Is that correct?

Mr. WALKER. No, it is not correct.

Ms. NORTON. Particularly in light of your testimony about budget constraints.

Mr. WALKER. No, it is not correct. I don't know who told you that, but they are not right.

Ms. NORTON. Will you tell me if they have received any bonuses?

Mr. WALKER. Sure, let me. I will be happy to.

First, let me make clear, Ms. Norton, that GAO did not object. GAO as an entity did not object to the PAB appearing. They are totally independent from us. We didn't have any opinion on that. Thank you.

Ms. NORTON. I haven't claimed that nor would that have mattered.

Mr. WALKER. Thank you very much. I appreciate that. I just want to make it clear.

I know you didn't. I just wanted to make sure that others may not have misinterpreted that.

We do the following for our senior executives. We have a performance appraisal system for them. We look at their performance each year. We look at their roles and responsibilities.

Ms. NORTON. So who does that? Is there a market-based system or not?

I have only a few minutes to ask my questions. Are they based on a market-based system or not and did they get $20,000 bonuses.

Mr. WALKER. The answer is no because Congress won't let us.

Ms. NORTON. Congress will not let you?

Mr. WALKER. The Congress does not. The Congress has decided that senior executive service members can only make so much money irrespective of the market, and so, no, the senior executive service is not on a market-based system because Congress hasn't given them.

Ms. NORTON. Did they get $20,000?

Mr. WALKER. No. About 50 percent of our executives get bonuses. Those bonuses range from less than $10,000 to somewhat over $20,000.

About 50 percent get bonuses. It is based upon their respective roles and responsibilities and their performance, and I am happy to provide that information to you.

Ms. NORTON. Mr. Walker, would you provide to the chairman the names and bonuses and the job descriptions of those who got bonuses?

Mr. WALKER. Sure, be happy to. Sure.

Ms. NORTON. The market-based study has been subject to some controversy because you used a very different kind of study from the one used by OPM, for example. Did you consult or did anyone consult with OPM?

Did your consultant consult with OPM so that we would not have huge disparities between how we do studies, for example, for locality pay and how you do your study so you wouldn't have another great big unique system, the way you do with your across the board MSAPP, EEOC, your PAB, the very special nature of your agency?

Did you do any such thing?

Mr. WALKER. Well, first, it is my understanding, although Watson Wyatt can speak for itself, that they have done work for OPM in the past.

Second, I personally am some familiarity with regard to how the——

Ms. NORTON. Mr. Walker, I am going to have to ask because I have other questions.

Mr. WALKER. Sure, yes ma'am.

Ms. NORTON. Did the consultant consult with OPM in doing its market-based study?

Mr. WALKER. Ms. Norton, I respectfully request that you ask them. I don't know. I can't speak for them.

Ms. NORTON. The reason I ask is because the OPM does a market-based study too. It is not as if the Federal Government didn't have someone, some precedent to look to. You might have decided that it doesn't fit GAO, but they also have to do it. They have to do it for employees and by locale, who range in very different ways, and it is a very hard job.

They have found that you have to do it by averages because it is very difficult to find in the marketplace, jobs sufficiently like the jobs formed by the Federal Government so that you can have a study that can withstand validation.

So I am questioning first, if you don't even know whether they consulted with the only large employer that does the same kind of study, I am questioning your market-based study in the first place as a basis for somehow equating what is done in the Federal sector with what is done at the GAO.

Mr. WALKER. Ms. Norton, with all due respect, I am familiar with how the GS pay ranges are determined.

Ms. NORTON. You didn't do the study, sir.

Mr. WALKER. No, I didn't. No, I didn't, but I have been briefed by OPM and by BLS, and I wouldn't call it a market-based study. I think if you ask Dr. Fay——

Ms. NORTON. Mr. Walker, reclaiming my time.

Mr. WALKER. Sure, thank you. Go ahead.

Ms. NORTON. With all due respect to you, you are not an expert, and I wanted to know whether you knew whether your expert had consulted the OPM which I think most Members of Congress would regard as an expert. We will wait and see if we can find that out in some other way.

Mr. WALKER. Ms. Norton, I was the worldwide head of a compensation consulting practice. I am more expert than just about anybody else you are going to have here other than Watson Wyatt. I present that.

Ms. NORTON. So you regard yourself as an expert on marketplace compensation.

Mr. WALKER. I have done it, I have personally been involved.

Ms. NORTON. For Federal employees.

Mr. WALKER. Not for Federal employees but market-based compensation.

Ms. NORTON. That is what I am asking. That is what I am asking, sir.

Mr. WALKER. No.

Ms. NORTON. That is what I am asking.

Mr. WALKER. Market-based comp. Market-based comp.

Ms. NORTON. We weren't just doing a marketplace study. I served on the board of three Fortune 500 companies. We knew how to do marketplace studies for these companies, comparing with others who were in the same kind of business.

I am asking whether or not you consulted with the Federal agency who has done these studies comparing employees in the private sector with employees here, and the answer seems to be no.

Now, let me ask you another question.

Mr. WALKER. We did consider the GS schedule if that helps.

Ms. NORTON. No. That is not my question.

Mr. WALKER. But please ask Watson Wyatt.

Ms. NORTON. I am talking about locality pay. I am talking about the studies that have been done since locality pay.

Let me move forward.

Mr. Walker, were you aware that when there are, in the Federal Government, pay and grade downgrades of employees, that employees always get some increase—even when there is some kind of finding that there should be some kind of downgrade, that the employee may not get the increase that she would otherwise have gotten but that, in our system, always gets some increase rather be left with no increase whatsoever, sir?

Mr. WALKER. Ms. Norton, I am familiar with the normal GS system, and I am familiar with what you are talking about if there is a demotion.

We do not believe that we demoted our people because they have the opportunity to make as much money as they could have in the old system.

Ms. NORTON. You didn't demote them. You just demoted their pay. Look.

Mr. WALKER. I am going based on what my counsel is telling me.

Ms. NORTON. In fact, I think you should have talked with your counsel more often because part of what happened, it seems to me, was in violation of law. For example, the basis for not doing COLAs at all which really blew the roof off and frankly has meant that whatever future pay banding has, it certainly doesn't have any longer in my view.

In the 2004 GAO Human Capital Reform Law, if you look at that law, Section 3(a), the law looks virtually identical to the laws that apply to other Federal employees and does give you the right to adjust annually the pay of employees.

Then it goes down a list of the bases upon that: equal pay, protecting the purchasing power. I wonder if you think not giving a COLA protects the purchasing power of employees. Pay rates for the same levels of work as non-Federal employees although you do not know whether you consulted with the OPM.

I wonder if your counsel looked at 3(a) and found that you were in compliance with Section 3(a) of our GAO Reform Act.

Mr. WALKER. We do believe we are in compliance.

I would note for the record, look at 3(a)(3), criteria 1, 3, 4 and 6. We clearly believe we are in compliance, and we were prepared to litigate that.

Ms. NORTON. Equal pay should be valued for work of equal value, is that the one you are talking about?

Mr. WALKER. Right.

Ms. NORTON. How about the need to protect purchasing power?

Mr. WALKER. That is one of six criteria, and we did consider.

Ms. NORTON. Yes, what about that one?

Mr. WALKER. We did think about it.

Ms. NORTON. In other words, are you supposed to comply with all six or with all but the ones you don't want to comply with?

Mr. WALKER. No, no, no. My understanding is, Ms. Norton, my understanding, OK, and reasonable people can and will differ. My understanding is that I shall consider all of the factors, and I did consider all of the factors.

Ms. NORTON. You thought that you were protecting the purchasing power of those employees who got no COLA and some got actually less or the proposal was for them to get actually less than they had gotten before, not only no COLA. You thought that was protecting their purchasing power.

Mr. WALKER. I had to make a decision based upon a preponderance of the evidence, based upon all six criteria, also with the understanding that if we allocate one dollar of our budget to people who are paid above market, that is one dollar we do not have to allocate to people who are not paid above market.

Ms. NORTON. Or one dollar that you don't have.

Mr. WALKER. Seriously, and it is a lot more than a dollar.

Ms. NORTON. And one dollar that you don't have to pay bonuses to your executive staff.

Now, you said that this was a temporary——

[Applause.]

Ms. NORTON. Please.

You said that this was a temporary transition issue.

Mr. WALKER. Right.

Ms. NORTON. Does that mean that the COLAs for every employee are now back as a matter of policy at the GSA?

Mr. WALKER. No. At the GAO, no.

Ms. NORTON. The GAO, I am sorry.

Mr. WALKER. Let me clarify what I mean by that, Ms. Norton. What I mean by that is that in 2006, 10 percent of our employees didn't receive an across the board pay adjustment. In 2007, it is 5 percent. It should go down consistently to where before I leave office in 2013, hopefully well before I leave office, everybody will get an across the board adjustment for two reasons.

No. 1, they get hopefully placed into the next level of responsibility or, No. 2, every year we index our pay ranges. For example, Band IIA, which are the people who are involved here, we index that pay range every year, and this past year it was 3 percent which, by the way, is more than any other market-based system I am aware of.

OK? And so, it is a temporary issue because of those factors.

By the way, our people do get performance-based comp.

Ms. NORTON. You sell a case that seems to indicate that you understand that the annual COLA passed by the Congress of the United States says nothing about the exclusion of any employee of the GAO. Do you understand that to be the law, sir?

Mr. WALKER. It doesn't address it one way or the other.

Ms. NORTON. We make the laws.

Mr. WALKER. I understand that.

Ms. NORTON. If we wanted to exclude them from COLAs of some kind, and I don't care what you call them. You say you will do it in one way or the other. You can do it your own way. But do you understand that the annual COLA makes no exclusion for any employee of the Federal Government including those of the GAO?

Mr. WALKER. You mean for the GS system?

Ms. NORTON. I mean the annual COLAs.

Mr. WALKER. But we are not subject to the annual COLA. We are not in the GS system. Congress authorized and gave us our own system.

Ms. NORTON. So you believe that your employees are not entitled to an annual raise under the appropriation that we pass each year.

Mr. WALKER. I believe that the authority that the Congress gave us, just as the Congress has given authority to IRS, DoD, DHS, NASA, FAA and many others, that they have given us authority to be able to decouple from what happens to the GS system.

I have a responsibility, as you properly pointed out, to give some annual adjustments.

Ms. NORTON. Mr. Walker, my time is running out.

Mr. WALKER. Sure.

Ms. NORTON. You have not answered the question that I have asked, and that is whether or not employees may be denied—may be denied—an increase in pay annually, and you are not prepared to say that they may not be denied an increase in pay annually.

Mr. WALKER. The only way that we would not provide an across the board adjustment to anybody at GAO is if the criteria that are in the statute are met, if we have severe, severe budgetary constraints.

Ms. NORTON. Those criteria are performance-based.

Mr. WALKER. I am sorry, Ms. Norton.

Ms. NORTON. I don't have the words before me now.

Mr. WALKER. Are you talking about No. 6? No. 6 says such other criteria as the Comptroller General deems appropriate including but not limited to.

Ms. NORTON. No. I am talking about your own law.

Mr. WALKER. That is my own law. That is our own law.

Ms. NORTON. No. I am talking about obviously you can deny a performance-based raise for somebody who doesn't perform.

Mr. WALKER. Sure.

Ms. NORTON. But the allegation here is these employees were performing and yet they did not get their raise, sir. That is what I am trying to discern here.

Mr. WALKER. Sure, I understand. I understand.

Ms. NORTON. Yes or no?

If an employee performs adequately, will the employee get some increase, sir, yes or no? Can I get an answer to that question?

Mr. WALKER. Yes, they are eligible for performance-based compensation. No, they do not get an across the board adjustment if they are paid above market.

Ms. NORTON. Well, you can try to go off on the technical difference between the GS system and the system you have if you like. You know exactly what I am talking about. I am talking about the fact that some people got no raise and that some people actually got a demotion, if you will, a raise.

I take your answer to be that unless there is a performance-based reason, that some increase in compensation will be available to GAO employees. If you think not, this is the time to say so.

Now, in hindsight, let me ask you this, and I want to know how you communicate with employees. You now have a union. I didn't mean.

Mr. WALKER. We don't have a union, Ms. Norton.

Ms. NORTON. Well, you now have people.

Mr. WALKER. We don't have a union. We may not ever have a union.

Ms. NORTON. As I understand it, counsel has found that enough cards have been filed to have an election.

I am further advised, although this is not public knowledge, that more than the majority of employees. If you want that on the record, here it is. More than the majority of employees have filed to have a union.

Now, I mention that not because I think unions are punishment for management. Many of our employees are unionized. Some have just organized on the basis of an organizing effort without any particular gripe. This clearly did not occur that way.

In hindsight, would it have been better to have some union in which to work these matters out in advance the way many Federal employees already do, in hindsight, sir?

Mr. WALKER. Not necessarily. The fact is a majority of certain employees may have signed cards that would call for an election, a confidential ballot.

Ms. NORTON. They just want the right to vote against the union. Is that what you are telling me?

Mr. WALKER. No, no, no. Ms. Norton, as you know, signing that card does not mean they are going to vote for a union.

Ms. NORTON. It may mean they are going to vote against it.

Mr. WALKER. We have also challenged. We have also challenged.

Ms. NORTON. The majority of employees have signed a card, some of whom wish to vote against the union.

Mr. WALKER. I haven't seen it, so I don't know.

That is correct. That is correct.

Ms. NORTON. Mr. Chairman, you have been very generous with your time. Just let me say this.

There appears to have been no systematic way for the employees, whether a union or not, to communicate with management, and I believe that has been at the root of this problem.

Mr. WALKER. If I might, Ms. Norton, I would respectfully suggest.

[Applause.]

Mr. WALKER. Please, let us be professional.

I would respectfully suggest.

[Applause.]

Mr. WALKER. I would respectfully suggest that you look at the exhibit that I provided as to the type of communications we had. No agency head in government, I would respectfully suggest, communicates directly with our employees more than I do.

Ms. NORTON. Talk to somebody who is unionized, Mr. Walker.

Mr. WALKER. No agency head. I stand by what I said, and I am under oath.

And, second, please look at all the communications that took place. When there are briefings, people have an opportunity to ask questions. They have an opportunity to say whatever they want. They can do it confidentially. They can do it with attribution.

I am not going to apologize for our process. We did learn some lessons, and we made some modifications based upon that. But you compare us to another organization and we stand up mighty darn well.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

I want to thank Mr. Walker and Ms Wagner for coming before the committee and helping us with our work.

Just as a small matter of disclosure, I am a former union president myself. I know we have spoken before, Mr. Walker. In all honesty, things might not get a whole lot better than the previous round of questioning.

I do want to say that I did hear your clarification before when you were asked by Mr. Van Hollen, who was sitting next to me at a previous hearing, when he asked for the assurances. I believe they were shown in the previous boards that your words were clearly to the effect that everybody will get the cost of living adjustment, the across the board increase.

Now, it had an effect on my view of things because it was unequivocal. It was not conditional. You stated the fact of how the law that we have put out there and how the regulations that you all devised that are supposed to be consistent with the law, how they were going to work. So I have to say that I was surprised when I spoke to some of the employees after receiving those assurances that they, in fact, did not get the cost of living increase.

In the regulations, it cites the need to protect the purchasing power of officers and employees of the office, taking into consideration the CPI, the consumer price index, or other appropriate indices. So this is clearly something that is protecting purchasing power. It is countering inflation. It is formulaic. It is not based on any criteria or performance review. It is really trying to protect the standard of living of those workers in the face of inflation.

Given the fact that all these employees received meets expectations assessments with respect to the way they worked, I am bothered by the fact that I was told the law and the regulations were going to be put into effect one way, only to find out that they were not.

This is an important point. We on this side of the dais have an opportunity to change the law if we believe that it is not working in a fashion that is consistent with congressional intent. These were times when there was a Republican majority. So I feel that we lost our opportunity.

Look, I think you made a honest mistake. I think you made an honest mistake. You said what you thought was the case, but in the process I believe we were misled here to believe that all those employees of this unit were going to receive cost of living adjustments, and that was not correct. That was not accurate.

So we were denied the opportunity to make sure that those employees who met expectations were treated fairly. They were not treated fairly. I think they were wise to go to Ms. Wagner, and I think her advocacy was commendable.

I look at some other changes here where actually Band II was subdivided, and that was not supposed to happen. People were not supposed to be removed and put into a lower pay band based on the earlier reading of the statute. Clearly, their pay was, in effect, reduced. This was a matter that was brought by the General Counsel, and it was an important part of her complaint. I think it would have prevailed had not you settled prior to the decision on the merits.

I just want your assurances here today that in the future, going forward, that we will hold these employees harmless.

I find also it is a little bit disturbing that if you assumed there were no people making above market pay, compensation, I guess it is fair to say that your assumption was otherwise, that you assumed everyone in that pay band was being paid either at market or below market. Yet, here is an advocacy point that you have carried, that there should be pay for performance. We should have the opportunity to pay people above market areas. So I think there is some inconsistency there.

I would like to assume the best of intentions on your part and on the part of your administration, but the facts would point otherwise, and I am just concerned about that. I have to say that, well, perhaps not surprisingly, I side with the employees in looking at the facts of this matter.

I would just hope that in the interest of morale and the interest of creating incentives to those employees to do the best job possible and to bring the GAO together, you are the watch dogs for the rest of the government. We have to have you working together. I will say this episode has caused some fracture in that.

While I take some comfort that you say by the time you leave office, everybody will have received the cost of living adjustment, I just want to remind you that is what you said last time you were here. And so, I need to have some type of accountability with that with respect to those types of remarks.

A lot of time has passed in which these employees have gone through a tremendous effort, a great expense in order to just be treated fairly. We just simply can't be misled on this count again.

I just hope that you will redouble your efforts to repair the damage that has been done, to fix the morale problem that now exists and that those employees who were, I think, harmed through no fault of their own simply by standing up for what they believed in, what they thought was fair and right, make sure that those employees are reinstated to the point of compensation that they truly deserve under the law.

Mr. Chairman, I yield back my time.

Mr. WALKER. Can I respond, Mr. Chairman, real quickly?

First, there is no intent by me or anybody else to mislead you or any other Member of Congress. It would be totally counter-productive to do that.

Second, quite frankly, I am still perplexed as to why if people feel so strongly about this now, that in November 2005 when I personally did a briefing, closed circuit television to all of our employees nationwide and made it very clear about what we were proposing to do, including the fact that certain individuals wouldn't get across the board pay adjustments as a result of the Band II restructuring and the result of the market compensation study, and even though that was further reinforced in the order that went out for comments for all employees to comment on, that not one employee, not one asserted that I was breaching my promise, not one.

And so, therefore, I am a little bit perplexed, OK, as to why all of sudden everybody is now saying it. It happened after the Band II restructuring implementation, not when we went through the due process.

Mr. LYNCH. Mr. Chairman and Mr. Walker, if I could just intervene.

Mr. WALKER. Sure.

Mr. LYNCH. I do have the formula that I think was given to the employees. I am a lawyer and I have an engineering degree, and I would say that if this were delivered to me one time by video conference, I probably would not get the essence of this either.

[Applause.]

Mr. WALKER. That is the Standardized Rating Score, Mr. Lynch. That is not what I am talking about. I appreciate your comment on that.

Mr. LYNCH. OK.

Mr. WALKER. I am talking about the actual pay ranges. It doesn't even take somebody with a Bachelor's degree to get that. We were very, very clear. I will be happy to provide it for the record. It was abundantly clear.

Here is my point, though, which gets to your point. Here is the key because I appreciate your comment and your concern. Let me tell you what I am considering doing now as a good faith gesture because, keep in mind, these individuals did receive eligibility for performance-based compensation. I wasn't required to give them any of that under the law. The issue that we are debating here is whether or not they should have received some across the board adjustment.

They have received performance-based compensation in lieu of the across the board adjustment and some of them actually received more in performance-based compensation than they would have gotten in the across the board adjustment.

What I am actively considering right now is the possibility for these individuals to say that you would get the greater of but not both what you are eligible for under performance-based compensation or any across the board adjustment that we give everybody else up to this Band II T cap.

I have asked the numbers be run on that, and I am waiting to get the final analysis of that. I have gotten some preliminary numbers. That would be a good faith gesture, and it is something that I think that we could afford and sustain, but frankly, Mr. Lynch, I need help, your help and the help of the other Members to make sure we get funded adequately because we are not.

Mr. LYNCH. Mr. Chairman, if I could, I just want to address one point that the gentleman has raised.

Mr. DAVIS OF ILLINOIS. Yes.

Mr. LYNCH. I understand on the pay for performance side of the ledger. Let me back up.

The annual adjustments are meant to ensure that employees don't slide back in their pay because of inflation. That is why that operates. As long as an employee is meeting expectations, we together make an assumption that we want those. They are valued employees, and we don't want them to slip back. It is really a compensatory increase to keep them from falling behind. It is what they deserve anyway just to maintain their position. That is a baseline. That is a baseline.

You are saying, at least the first part of your earlier statement, is that we are going to somehow juggle this, that you can either get the performance because you are working your tail off or, tell you what, we might give you money that stops you from falling behind.

Those should not be equated. One should be given as a matter of just maintaining employees in the agency so that they are not earning less next year. You understand how that might affect.

Mr. WALKER. Sure, I understand. I understand.

Mr. LYNCH. Allow me to just finish my thought here.

Mr. WALKER. Yes, sir. Go ahead.

Mr. LYNCH. I have employees in my office. If every year they earned less, I would have fewer and fewer employees and fewer motivated employees if every year they worked for me, they earned less. Think about that. That is what you are saying if you are going to hold back that across the board adjustment. There is the possibility they could be earning less every year, and that can't be the case.

Now, the matter of that increase is a function of inflation and, as it says right in the statute, the need to protect purchasing power of your employees. That is not a true raise in terms of what they are earning. It is just a stop-gap so that they don't fall further behind.

I hope you see the difference between that and a performance increase.

Mr. WALKER. I do.

Mr. LYNCH. Because you are talking here now about, through the goodness of your heart, weighing either giving them a cost of living adjustment or giving them a performance increase based on how hard they are working. I just say those are two different analyses that you have to go through, and we shouldn't be juggling between the two.

Mr. WALKER. Let me clarify what I am saying. This is very important, and I am trying to deal with this as a good faith gesture here.

Ninety-five percent of our employees would be eligible for an across the board adjustment and performance-based compensation. I am only talking about the 5 percent, down from 10 percent last year, who didn't receive an across the board adjustment.

What I said was the possibility of letting them have the greater of their PBC and, as I said, some people earn more on PBC even though they didn't get the across the board. I wasn't required to make them eligible for PBC. The law doesn't require me to do that if you are paid above market.

So what I am saying is that for people who don't make as much under PBC is the possibility of allowing them to be able to have the across the board adjustment up to the Band II T cap. That is what I am talking about.

So, in no event will somebody be worse off than what they are now. They could only be better off than what they are now.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Lynch.

I have just got a couple of additional observations.

Mr. Walker, it is difficult for me, and I am trying to determine how less can become more, that is, if employees are denied.

Am I understanding you to suggest that if an employee is simply barely holding his or her own, that they are just kind of at the workplace, barely doing enough to not be separated, then they may have an option that if there is a cost of living adjustment, which doesn't necessarily have much to do with the work but has to do with inflation—unless inflation goes down and I doubt if we are going to experience that—that this individual is not eligible for any pay for performance consideration because they really have not performed and cost of living, they actually can be denied that, and so it is very possible that they could receive nothing in addition to what they currently get? Is that a possible scenario?

Mr. WALKER. Let me clarify, Mr. Chairman, and it is very important. Obviously, there was an expectation gap before, so I want to try and make sure we don't have another one, OK.

First, there are two elements of our system: one, market-based which has to do with the pay ranges, and performance-oriented. They are separate.

Second, our employees have the opportunity if they are not paid above market to earn two types of annual pay increases. The first is the across the board adjustment if they are meets expectations or better. The second is performance-based compensation based upon how they compare to their peers. That would continue to be the case for the 95 percent and increasingly over time of our people who are in that category.

For the 5 percent who this year did not get the across the board adjustment but were eligible for performance-based comp, what I am suggesting is for those 5 percent since we are not required to give them the performance-based comp under the law. That is something we did as an additional, and I want to incent people to perform better than the minimum. Keep in mind, across the board is only for minimally acceptable performance. I want to encourage people to perform better than the minimally acceptable level.

What I am saying is what I am actively considering now is the possibility to say that for that 5 percent, decreasing over time, that you could earn the greater of your PBC percent or whatever the amount would be. I will give you a specific example for 2007.

The across the board percent was 2.4 percent. The average PBC was 2.15. But some people performed well above average, so they got more than 2.4. So, if they get more than the 2.4, they get that, but on the other hand they wouldn't get less than 2.4 on a prospective basis. That is what I am talking about.

I am happy to work with this committee on a bipartisan and bicameral basis to try to see if we can do something here that would be a good faith gesture, but I also need your help on our funding because we are not funded adequately. Eighty percent of our budget is people costs.

Mr. DAVIS OF ILLINOIS. How does the performance-based system relate to retirement in terms of an individual's retirement and their expectation there?

Mr. WALKER. Thank you, Mr. Chairman.

This year, 100 percent of performance-based compensation was added to somebody's base pay up to the applicable pay limit. Last year, it was 50 percent. This year, it was 100 percent.

I have said to our employees that unless and until Congress ends up changing the law, so you can count that cash-based COP as part of your high three for pension purposes which is what you are talking about, then I think we need to continue to have PBC go into base pay up to the applicable pay caps unless and until Congress changes that law because otherwise it could affect people's high three. And so, that is what we did this year.

That is what I intend to do unless and until Congress changes the law to allow us to go to a more market-based system. I don't want our people to be penalized, and they weren't this year, OK, for the high three relating to their PBC.

Mr. DAVIS OF ILLINOIS. Ms. Wagner, let me just ask you if you would hazard a response or guess. If there are no pay cuts, there is no reduction in career status or one's professional career, if there is no loss of anything but the possibility of gaining even more, why are the employees seemingly so concerned about the new system?

Ms. WAGNER. Mr. Chairman, I can speak to, if not why, explaining their feelings or motives about their actions here. I can't speak to the question of does the law contemplate that the agency can demote people without cause and without regard to their procedural rights.

I think what happened to people in the course of the restructuring process is that, in fact, they actually demoted, and it wasn't simply a reduction in pay to the extent that they were denied the real actual dollar value of their salaries by getting denied the COLA.

But another point that I hadn't had an opportunity to address before is that there really was an actual reduction in band level. The Band II position, in essence, became the Band IIB position so that people who were placed from Band II to Band IIA were effectively demoted. Some of these, some of the petitioners, for example, had been GS–14 prior to the merger, prior to the creation of the band in 1989 so that was an actual demotion into the equivalent Band IIA, GS–13 position.

Mr. DAVIS OF ILLINOIS. Let me ask you. Does the notion of overpayment constitute a sort of backdoor demotion?

Ms. WAGNER. I believe that when individuals' pay was stagnated, and that doesn't constitute pay retention so that does constitute, in effect, a pay reduction. We were prepared to argue that.

I would also note that some of these individuals were actually also denied 50 percent of their PBC, and this was an expectation for past high performance. As a result of the pay order which was issued by GAO in January 2006, where it became clear actually to employees what the pay implications were of the restructure, that it became obvious in some instances people were going to be denied 50 percent of their PBC.

So I think that in some, that people actually did experience a pay reduction if you look at the effect of the elimination of the COLA and their basic pay rate.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Senator, let me ask if you have any wrap-up comment or question?

Senator AKAKA. Thank you very much, Mr. Chairman. I do have other questions, and I would like to include them in the record.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Ms. NORTON. Mr. Chairman, I have no further questions.

I do want to say that I believe that Mr. Walker, as a result of the claims that have been brought against the agency to the PAB, has corrected a number of the problems raised for this round of employees at this time. I think the committee needs some assurance that a permanent change for employees heretofore has taken or will take place. I say that, Mr. Chairman, because this is an agency responsible to us.

May I also say that in terms of the PAB about which I have no particular complaint except a structural appearances problem, considering that the agency, Mr. Chairman, is a congressional agency, I must have misspoken when I said it should perhaps be appointed by the President. I wash my mouth out with soap on that one. [Laughter.]

But there are circumstances, Mr. Chairman, and perhaps this is to be one where the appointments would be made by Members of Congress or the Speaker, the Majority Leader or some such matter.

Again, this goes only to appearances. It really is no reflection, Mr. Walker, on what you have done here. I don't suggest that there has been any collusion between you and the PAB. I am, frankly, finding out for the first time this astonishing notion of which there is absolutely no precedent elsewhere in the government, and I can understand exactly how we got there in trying to contrive a system that worked for an agency that, in fact, is in judgment of other agencies. I am just trying to use this hearing as a way to improve things all around.

Finally, Mr. Walker, I have been very critical of you. You know that I have the highest regard for your professionalism. My criticism of you comes frankly from my astonishment that a man of your skill and character would have had this arise in your agency.

I want to assure you that for any changes in the agency, I personally would like to work closely with you and with the chairman because of my great interest in structural reform. When I was at the Equal Employment Opportunity Commission as Chair, I was very interested in structural reform. Look, the union picketed me and yet when I ran for Congress, they were first ones to endorse me, so they may yet come to love you.

Thank you, Mr. Chairman.

Mr. DAVIS OF ILLINOIS. Thank you.

Mr. WALKER. Mr. Chairman, in conclusion, could I mention?

Mr. DAVIS OF ILLINOIS. Yes.

Mr. WALKER. Ms. Norton, I appreciate your concern about the appearance issue. I was dealt a deck. That was the deck that I was dealt. We have tried to involve employees more in selecting the judges or having input on the judges. Needless to say, they are acting independently.

But I appreciate your concern, and I think that is a legitimate issue. I think it needs to be in the leg branch, but I think how they are appointed is a legitimate issue we ought to talk about.

The second issue is I don't know who came up with this, but you are probably going to get it a little bit later. The thing that this fails to consider is if one ends up doing their homework and looks at what types of across the board adjustments have been provided by other agencies who have been given authority to decouple from the GS system, you will find that we have, to my knowledge, the highest across the board adjustment of any such agency—for example, IRS, DOD, etc.—and that we indexed our pay ranges the highest of any other such agency that had that authority.

So everything in the world is relative. We are not perfect. We never will be. But we are trying hard to do as best as we can.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Ms. Wagner, your last comment.

Ms. WAGNER. Mr. Chairman, thank you.

I was asked here to provide comments with regard to the Band II restructuring, and I hope that you found the comments helpful.

I would also just like to address the concern raised by Congresswoman Norton about our initial response to the subcommittee's request to produce documents, notes, memoranda and also to have me come testify.

As, Ms. Norton, you have pointed out, this is a sui generis situation in the sense that the general counsel for the PAB is not like the general counsel at the Federal Labor Relations Authority [NLRB] or even the special counsel. The relationship that emerges once the general counsel makes an offer of representation is one of attorney-client with regard to those individuals so that my concern with regard to producing document was simply one of transgressing my ethical obligations with regard to my responsibility to those individuals. I did consult with the D.C. Bar with regard to all of that, but it was a real legitimate concern.

Ms. NORTON. Of course, there was a refusal to have you come to meet with the agency. We are all here, Ms. Wagner. Nobody on this committee would ever have asked for documents that breached the lawyer-client relationship, and there should never be a presumption when the chairman of a committee invites you that is what he intends. If he does, when you come to meet with him, you need only raise the lawyer-client relationship, and you will find him respectful of that.

Ms. WAGNER. I appreciate that.

Mr. DAVIS OF ILLINOIS. Thank you very much, and this panel is excused.

I might add, Mr. Cummings.

Mr. CUMMINGS. Mr. Walker, please don't go.

Mr. DAVIS OF ILLINOIS. We have been joined by Mr. Cummings.

Mr. CUMMINGS. I want to just ask a few questions. Thank you very much, Mr. Chairman. I will be brief.

Mr. Walker, in a December 27, 2000 letter to Congressman John Lewis on behalf of the GAO Atlanta employee, Mr. Gene Barnes, you told Congressman Lewis that the GAO-analyzed appraisal data for 1998, 1999, 2000 found that the average change for all staff was 0.471 compared with 0.512 for African Americans from 1998 to 1999 and from 1999 to 2000, the average change was 0.003 compared with 0.011 for African Americans.

You stated that although there was variance in the numbers, they were not statistically significant. How did you arrive at that conclusion that the variances were not statistically significant?

Mr. WALKER. I understand. Through applying statistical applications.

I will, however, say, Mr. Cummings, that they are statistically significant now. That is a matter of concern to me, and I have committed publicly both to this committee as well as to our employees that we are doing a separate and independent African American performance appraisal review. I have made that commitment to do that.

We had a request for proposal issued, and I would be more than happy to keep you and every other member of this subcommittee and subcommittees, I should say, apprized of the results of that.

Mr. CUMMINGS. Please do. I have some other questions.

In March 2004, Blacks in Government, the GAO chapter wrote to you concerning the proposed ban to split and raised problems that would disadvantage African American employees under the split. Such problems included lower performance appraisals, lack of assignments as analysts in charge. What was your reaction to the letter of BIG's claims?

Mr. WALKER. Well, my concern was to make sure that we had a process in place that provided reasonable assurance that we were being consistent, equitable and nondiscriminatory. The other thing is that we also had our Office of Opportunity Inclusiveness, of which Ron Stroman will be testifying on the panel after me, as well as our Human Capital Office involved in reviewing all proposed decisions in order to try to help assure that we were being consistent and nondiscriminatory.

Furthermore, we had published data and made that available to this body on the results of that placement process to provide transparency over what the results were.

Mr. CUMMINGS. Just one other question, Mr. Walker. What was the impact on African Americans as a result of restructuring? How many African Americans were subject to the restructuring decision?

Mr. WALKER. And that is what we provided for the record, Mr. Cummings. We provided a detailed analysis of what percentage of African Americans versus Asians versus Hispanics versus Caucasians, male, female, etc. were placed versus the ones that weren't placed.

Mr. CUMMINGS. Did the employees view the restructuring as a demotion without cause or any of them?

Mr. WALKER. They may view it. We disagree with the PAB General Counsel on whether or not this was a demotion. There is no doubt in my mind that to the extent an individual does not receive an increase that otherwise they thought they were going to receive, that even though legally it may not be a demotion, they may perceive it that way.

Mr. CUMMINGS. You said the General Counsel viewed it that way also?

Mr. WALKER. Well, they were prepared to argue that, but then again I was prepared to argue that it wasn't, and ultimately an independent adjudicatory body would have had to decide that. However, we settled that matter to put it behind us.

Mr. CUMMINGS. How many African Americans filed complaints with the GAO Office of Opportunity and Inclusiveness?

Mr. WALKER. Mr. Cummings, I would respectfully request that you ask Mr. Stroman that, who is going to be on the next panel. He is head of the Office of Opportunity and Inclusiveness.

Mr. CUMMINGS. One of the reasons why I raise these questions is sadly, sadly, still in 2007, we have to be vigilant with regard to these issues. As one who represents Baltimore with a whole lot of Federal employees who get on that train at 5:30 every morning, 6, and come over here. As one who represents the great State of Maryland and I hear the complaints, I just want to make sure that we remain vigilant.

As much as I would want to believe that we are a color blind society—I want to believe it so bad—but the evidence does not always come out on the side of that, and so I just raise these issues.

I will look at the information that you all have provided, and I may have some additional questions that I will submit to you in writing.

Mr. WALKER. I appreciate your concerns, and that is one of the reasons why, in an unprecedented manner, I have asked for this study to be done. It is unprecedented, and I look forward to sharing the results with the subcommittees.

Mr. CUMMINGS. It is one thing to do a study. A whole lot of people do studies. The question is: Does the study get placed on a shelf—let me finish—placed on a shelf and dust settles on it or do we take the study and do something with it? That is the issue.

I think depending on what the study shows and all that kind of thing, we have to have some kind of guidelines and timetables for corrections because I am telling you the more I have lived and the more I have seen more and more people who have not gotten their due. It is not just about them. It is about their children and generations yet unborn and fairness to them.

I don't want to sound presumptuous here, but I am just concerned because, see, I hear the complaints and I read the emails. And so, I appreciate your being here.

Mr. WALKER. Well, first, I don't know what the results of the study are going to be. I can assure you I will take it seriously. It would be a waste of taxpayer money to engage in doing this unless we were going to seriously consider the results. But let us see what comes out. Thank you.

Mr. CUMMINGS. I have to say that, sadly, a lot of taxpayers' money is wasted, sadly. Hopefully, it will not be in this instance.

[The prepared statement of Hon. Elijah E. Cummings follows:]

CONGRESSMAN ELIJAH E. CUMMINGS OF MARYLAND
OPENING STATEMENT

"GAO PERSONNEL REFORM: DOES IT MEET EXPECTATIONS?"

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE AND THE DISTRICT OF COLUMBIA

JOINTLY WITH

SENATE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA

TUESDAY, MAY 22, 2007

Mr. Chairman,

I want to thank you for holding this vitally important hearing to examine personnel reform at the Government Accountability Office (GAO).

I welcome the opportunity to fully examine the implementation of the GAO's Human Capital Reform Act of 2004, the market based compensation study conducted by Watson World Wide for GAO, and the performance ratings of African Americans at GAO.

GAO is the largest of three agencies that provide support, research, review, and analysis for Congress—and we rely heavily on its work.

Sometimes characterized as "Congress's watchdog," GAO provides a variety of services to Congress that are largely connected to the oversight work that we do in this Committee.

But the question we will examine today is, "Who is watching the watchdogs?"

I have many concerns regarding GAO's treatment of its employees, and its response to attempts by Congress to provide oversight.

Specifically, I am concerned with Comptroller General David Walker's decision not to provide cost of living adjustments to more than 300 employees under the Human Capital Reform Act of 2004.

When we considered the legislation in 2004, many of us expressed concern that GAO employees would be vulnerable to losing this pay increase, and Mr. Walker told us in no uncertain terms that they would not.

We know that Mr. Walker has not made good on that promise, and I have yet to see convincing evidence as to why.

I must note that this is not for lack of trying. Last September, I joined my colleagues, Chairman Davis, and Representatives Hoyer, Ruppersberger, Norton, Moran, Wynn, Van Hollen and then Representative Cardin, in requesting an explanation.

Mr. Walker has made reference to a Watson World Wide study, but he has not produced the study for our review. I find it ironic that an agency charged with conducting oversight of the Executive Branch is withholding information from Members of Congress.

Furthermore, I am very concerned with the long standing issue of poor appraisals for African American employees at GAO.

Over the last three years, African Americans at all pay levels consistently received the lowest performance appraisals of any group, and were frequently denied leadership positions despite their requests for such roles.

Because of this disparity, the Comptroller General's new "pay for performance" model has disproportionately affected African American workers at GAO.

I understand that Mr. Walker is taking steps to address this disparity, but the damage is already done. The adjusted payment schedule is in effect, and African Americans are losing out now.

Finally, I would like to emphasize that I am aware that GAO employees have chosen to organize, and I expect that an election will take place expeditiously and in good faith.

Thank you and I yield back the remainder of my time.

ELIJAH E. CUMMINGS
Member of Congress

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Cummings.

Thank you Mr. Walker, Ms. Wagner.

Mr. WALKER. Thank you, Mr. Chairman.

Ms. WAGNER. Thank you, Mr. Chairman.

Senator AKAKA. Mr. Chairman.

Mr. DAVIS OF ILLINOIS. Senator.

Senator AKAKA. While preparing for the second panel, I would like to apologize to you, Mr. Chairman, but I have another meeting to attend on the Senate side, and I will try to make it back.

Mr. DAVIS OF ILLINOIS. Well, thank you so much, Senator, for coming over. It is not every day that we get an opportunity to play host to the Senate, but we appreciate both you and Senator Voinovich coming over, and we look forward to continuing to work with you.

Senator AKAKA. I look forward to continuing to work with you. As I said, I am pleased that we had this opportunity to work together. We have much to do in the future, and I look forward to that. Thank you.

Mr. DAVIS OF ILLINOIS. Thank you very much.

As our second panel is being seated, let me thank you for coming and for your participation and let me move ahead and introduce the witness panel.

Ronald Stroman is the Managing Director of GAO's Office of Opportunity and Inclusiveness known as O and I. Mr. Stroman is responsible for reviewing GAO's human capital policies and practices to ensure they are fair, merit-based and promote the opportunity for all GAO employees to maximize their contributions to the agency's mission.

Mr. Curtis Copeland is currently a specialist in American Government at the Congressional Research Service, CRS, within the U.S. Library of Congress in Washington, DC. His specific area of research expertise is Federal Rulemaking and Regulatory Policy. He is also head of the Executive and Judiciary Section with the CRS Government and Finance Division.

John Shimabukuro is currently a legislative attorney in the American Law Division at the Congressional Research Service. His specific area of legal expertise is Labor Employment Law and Abortion Law.

Ms. Jane Weizmann is a senior consultant with Watson Wyatt Worldwide, a human capital consulting firm.

Dr. Charles Fay is a professor and Chair of Human Resource Management at the School of Management and Labor Relations at Rutgers University. He has worked over the last 5 years as a consultant to the Bureau of Labor Statistics on the National Compensation Survey. He was a Presidential appointee to the Federal Salary Commission and also served as Chair of the Research Committee of the American Compensation Association.

Mr. Max Stier is the president and CEO for the Partnership for Public Service. The Partnership is a non-partisan, non-profit organization dedicated to revitalizing the public service through a campaign of educational efforts, policy research, public-private partnerships and legislative advocacy.

Thank you all for coming.

As is our tradition, we will swear in the witnesses.

[Witnesses sworn.]

Mr. DAVIS OF ILLINOIS. The record will show that each person answered in the affirmative.

We will then move ahead and proceed beginning with Mr. Stroman.

STATEMENTS OF RONALD A. STROMAN, MANAGING DIRECTOR, OFFICE OF OPPORTUNITY AND INCLUSIVENESS, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; CURTIS W. COPELAND, SPECIALIST IN AMERICAN NATIONAL GOVERNMENT, CONGRESSIONAL RESEARCH SERVICE; JON SHIMABUKURO, ATTORNEY, AMERICAN LAW DIVISION, CONGRESSIONAL RESEARCH SERVICE; JANE K. WEIZMANN, SENIOR CONSULTANT, WATSON WYATT WORLDWIDE; DR. CHARLES H. FAY, PROFESSOR OF HUMAN RESOURCE MANAGEMENT AND CHAIR OF HUMAN RESOURCE MANAGEMENT DEPARTMENT, RUTGERS UNIVERSITY SCHOOL OF MANAGEMENT AND LABOR RELATIONS; AND MAX STIER, PRESIDENT AND CEO, PARTNERSHIP FOR PUBLIC SERVICE

STATEMENT OF RONALD A. STROMAN

Mr. STROMAN. Thank you, Mr. Chairman.

My name is Ron Stroman, and I am the Managing Director of the Office of Opportunity and Inclusiveness. My prepared statement prepares out the efforts that we have made to make GAO a fair and inclusive workplace.

I believe that our efforts have really been on the cutting edge of diversity within the executive branch. We have taken unprecedented steps with regard to making diversity part and parcel of the human capital principles and efforts at GAO, our monitoring efforts as well as our efforts to hold our senior managers accountable.

In the time I have, Mr. Chairman, what I would like to do, and let me say that I am happy to discuss any of those initiatives with the Members. Let me focus on the issue of African American performance appraisals, and I think Mr. Cummings was exactly right to certainly raise that issue.

When I first came to GAO, we held a series of listening sessions, and what I heard repeatedly from the African American staff was that there were two issues of primary concern. One was performance appraisals, and the second was promotion, particularly into senior management positions within GAO.

In an effort to deal with this issue, during the course of the implementation of the performance management system, we made really an unprecedented decision. We decided to publish to all of our employees, a list of performance averages on the basis of race, gender, age, disability and veteran status to every employee in GAO. We did not run from the issue. We wanted to shine a bright light on the issue.

I believe, Mr. Chairman, that this has been nowhere am I aware that this is being done in the executive branch or any Fortune 500 company. I believe it is the right thing to do. I think that the only way we can hold ourselves accountable for fixing this system is to shine a bright light on it.

But despite our efforts in that regard, not only to publish these statistics but to monitor the efforts with regard to our performance appraisals, quite honestly I must tell you that the performance ratings of African American employees at GAO are unacceptably low. During 2002 to 2005, the most significant differences in performance appraisals were African American staff versus white analysts. These differences are inconsistent with our efforts to bring the best employees regardless of race into the Government Accountability Office.

We held an SES offsite with regard to this to make it clear to our senior managers that this was unacceptable.

Shortly after that, the Comptroller General decided that he was going to initiate a study, an unprecedented study, to look at the issue head-on, and I agree with that decision. I think it is important that we tackle this issue with the same intellectual rigor as well as the same independence that we approach any other engagement at GAO.

But I want to put this into a little bit of context as well. When I first came to GAO, I must tell you that everybody in the agency had inflated ratings. The appraisal ratings really meant nothing in GAO. What that meant was that when I met with senior officials to talk about issues with regard to African American and other minorities at GAO with regard to promotions, what came back repeatedly was that the ratings don't mean anything.

The way promotions was instituted at that point was that literally managers would go into a back room and make a decision about who would be promoted. You could not hold those managers accountable for the results because the performance appraisals meant absolutely nothing. It was totally subjective. We couldn't enforce. We couldn't enforce any efforts in this regard.

What we decided to do was to do several things. First, with regard to the issue of promotions, we centralized the promotion process so that we had senior executives within GAO review the promotion panels' decisions.

Second, because the performance appraisal systems were now meaningful, you could hold the managers accountable for their results. As a result of that, if you look at the promotion of GAO African American employees into senior levels between 2001 and 2006, you will see a significant increase as a result of, I think, our efforts in that regard and I think it is directly as a result of the efforts that we made.

But additional steps, Mr. Chairman, need to take place. The fact of the matter is that a performance management system is extraordinarily complicated. It requires every employee to be trained with regard to the system.

What we have found over the course of the years that I have been there is quite honestly when you have a performance system that is based on expectation setting and consistent feedback, we have found that there are significant differences in the feedback and conversations that African American employees are receiving from management as opposed to other employees.

The honest truth is that with regard to setting expectations and doing engagements, my judgment is that African American staff are not getting the type of feedback, coaching, feedback on a timely basis that they need in order to perform at the same levels. We need to do a number of things in addition to the study. We need to require timely feedback. We need to make sure that engagement of feedback is in writing if it is necessary. We need to develop models with regard to performance.

What I hear most often is at the end of the day with regard to performance appraisals is that the African American staff said they are surprised by their ratings. That should not happen. Under our system, there is supposed to be a system of constant communication. At the end of the day, both sides should understand where they are at the end of the performance cycle. That simply is not happening.

We need additional transparency with regard to how teams are assigning their AIC or leadership roles, and we need to hold managers accountable for results.

Finally, Mr. Chairman, let me just say that we are, I believe, doing things with regard to safeguards that no other agency is doing. DoD has approximately 113,000 employees currently on its competency-based performance management system with an effort to go to 700 with none of the safeguards that we have at GAO.

I can tell you that we need an expanded role in that context for civil rights officers within those agencies in order to monitor the performance and results, I think, of people of color in those agencies.

I will be happy to take any questions, Mr. Chairman.

[The prepared statement of Mr. Stroman follows:]

United States Government Accountability Office

GAO

Testimony before Congressional Subcommittees

For Release on Delivery
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HUMAN CAPITAL

Efforts to Enhance Diversity and Ensure a Fair and Inclusive Workplace at GAO

Statement of Ronald A. Stroman, Managing Director
Office of Opportunity and Inclusiveness

GAO
Accountability * Integrity * Reliability

GAO-07-901T

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

Good Morning. I am Ron Stroman, the Managing Director of the Office of Opportunity and Inclusiveness at the United States Government Accountability Office (GAO). I am pleased to be here today to discuss some of the steps we have taken to help enhance diversity and create a fair and inclusive workplace at GAO. In these efforts, we are all affected by the world we live in. Discrimination and intolerance are an unfortunate and continuing reality in our country. Overcoming these barriers is more than a professional responsibility for me. I have stood outside the Rayburn House Office building wearing a suit and a tie during the middle of the day trying to hail a cab only to have that cab driver pass me by in order to pick up a white person standing less than five feet behind where I stood. My son has been stopped by the police repeatedly while driving because he was driving through a community that the police didn't think he belonged in. Race, gender, ethnicity, disability, age, and sexual orientation do matter.

Vigorous enforcement of anti-discrimination laws remains an essential responsibility of government. Moreover, diversity in the federal government can be a key component for executing agency missions and achieving results. Not only is it the right thing to do, but an inclusive work environment can improve retention, reduce turnover, increase our ability to recruit, and improve overall organizational effectiveness.

Role of the Office of Opportunity and Inclusiveness

The Comptroller General recognized that he needed to shift the emphasis of the then Office of Civil Rights from a reactive, complaint processing focus to a more proactive, integrated approach. He wanted to create a work environment where differences are valued and all employees are offered the opportunity to reach their full potential and maximize their contributions to the agency's mission. In 2001, the Comptroller General changed the name of the Office of Civil Rights to the Office of Opportunity and Inclusiveness and gave the office responsibility for creating a fair and inclusive work environment by incorporating diversity principles in GAO's strategic plan and throughout our human capital policies. Along with this new strategic mission, the Comptroller General changed organizational alignment of the Office of Opportunity and Inclusiveness by having the office report directly to him. Also, in 2001, I was selected as the first Managing Director of the Office of Opportunity and Inclusiveness.

The Office of Opportunity and Inclusiveness (O&I) is the principal adviser to the Comptroller General on diversity and equal opportunity matters.

The office manages GAO's Equal Employment Opportunity (EEO) program, including informal precomplaint counseling, and GAO's formal discrimination complaint process. We also operate the agency's early resolution and mediation program by helping managers and employees resolve workplace disputes and EEO concerns without resorting to the formal process. In addition, O&I monitors the implementation of GAO's disability policy and oversees the management of GAO's interpreting service for our deaf and hard-of-hearing employees. But effective efforts to create a diverse, fair, and inclusive work place require much more.

In furtherance of a more proactive approach, O&I monitors, evaluates, and recommends changes to GAO's major human capital policies and processes including those related to recruiting, hiring, performance management, promotion, awards, and training. These reviews are generally conducted before final decisions are made in an effort to provide reasonable assurance that GAO's human capital processes and practices promote fairness and support a diverse workforce.

Throughout the year, O&I actively promotes diversity throughout GAO. For example, last year we met with the summer interns to discuss their experiences and to provide guidance on steps that interns can take to enhance their chances for successful conversion to permanent employment at GAO. We also took steps to increase retention of our entry-level staff by counseling our Professional Development Program advisers on the importance of consistent and appropriate training opportunities and job assignments that afford all staff the opportunity to demonstrate all of GAO's competencies. I also made several presentations that reinforced the agency's strategic commitment to diversity, including a panel discussion on diversity in the workforce, a presentation to new Band II analysts on the importance of promoting an environment that is fair and unbiased and that values opportunity and inclusiveness for all staff, and a presentation to Senior Executive Service (SES) managers on leading practices for maintaining diversity, focusing on top leadership commitment and ways that managers can communicate that commitment and hold staff accountable for results.

This proactive and integrated approach to promoting inclusiveness and addressing diversity issues differs from my experience as Director of the Office of Civil Rights at a major executive branch agency. As Director of that office, a position I held immediately before coming to GAO, I had little direct authority to affect human capital decisions before they were implemented, even though those decisions could adversely affect protected groups within the agency. For the most part, my role was to focus on the required barrier analysis and planning process. The problem with this approach is that agencies generally make just enough of an effort to meet the minimal requirements of the plan developed by this process. In addition to these plans, diversity principles should be built into every major human capital initiative, along with effective monitoring and oversight functions.

Efforts to Attract a Diverse Pool of Top Candidates

The war for talent, especially given increasing competition with the private sector, has made it more competitive for GAO and other federal agencies to attract and retain top talent. Graduates of color from our nation's top colleges and universities have an ever increasing array of career options. In response to this challenge, GAO has taken a variety of steps to attract a diverse pool of top candidates. We have identified a group of colleges and universities that have demonstrated overall superior academic quality, and either have a particular program or a high concentration of minority students. They include several Historically Black Colleges and Universities, Hispanic-serving institutions, and institutions with a significant portion of Asian-American students. In addition, GAO has established partnerships with professional organizations and associations with members from groups that traditionally have been underrepresented in the federal workforce, such as the American Association of Hispanic CPAs, the National Association of Black Accountants, the Federal Asian Pacific American Council, the Association of Latino Professionals in Finance and Accounting, and the American Association of Women Accountants. GAO's recruiting materials reflect the diversity of our workforce, and we annually train our campus recruiters on the best practices for identifying a broad spectrum of diverse candidates.

GAO's student intern program serves as a critically important pipeline for attracting high-quality candidates to GAO. In order to maximize the diversity of our summer interns, O&I reviews all preliminary student intern offers to ensure that the intern hiring is consistent with the agency's strategic commitment to maintaining a diverse workforce. O&I also meets with a significant percentage of our interns in order to get their perspectives on the fairness of GAO's work environment. Moreover, our office recently analyzed the operation of the summer intern program and the conversion process and identified areas for improvement. GAO is implementing changes to address these areas, including taking steps to better ensure consistency in the interns' experiences and to improve the processes for evaluating their performance and making decisions about permanent job offers.

Processes and Safeguards Established to Help Ensure Accountability and Promote Transparency of GAO's Performance Management Systems

Competency-based performance management systems are extremely complex. It is important to implement safeguards to monitor implementation of such systems. As a way to ensure accountability and promote transparency, the Comptroller General made an unprecedented decision to disseminate performance rating and promotion data. Over some objections, the Comptroller General agreed to place appraisal and promotion data by race, gender, age, disability, veteran status, location, and pay band on the GAO intranet and made this information available to all GAO staff. This approach allows all managers and staff to monitor the implementation of our competency-based performance management systems and serves as an important safeguard in relation to the processes. As far as I am aware, no other federal agency has ever done this, nor am I aware of any major corporation in America that has taken such an action. The Comptroller General rejected the argument that an increased litigation risk should drive the agency away from disseminating this information. Instead he stood by his position that the principles of accountability and transparency dictated that we should make this data available to all GAO employees.

In addition to making this data available to all GAO staff, O&I and the Human Capital Office conduct separate and independent reviews of each performance appraisal and promotion cycle before ratings and promotions are final. In conducting its review of performance appraisals, O&I uses a two-part approach; we review statistical data on performance ratings by demographic group within each unit, and where appropriate, we conduct assessments of individual ratings. In conducting the individual assessments we (a) examine each individual rating within the specific protected group; (b) review the adequacy of any written justification; (c) determine whether GAO's guidance on applying the standards for each of the performance competencies has been consistently followed, to the extent possible; and (d) compare the rating with the self-assessment to identify the extent to which there are differences. I meet with team managing directors to resolve any concerns we have after our review. In some instances ratings are changed, and in other cases we obtain additional information that addresses our concerns.

Our promotion process review entails analyzing all recommended best-qualified (BQ) lists. We review each applicant's performance ratings for the last three years. In addition, we also review each applicant's supervisory experience. I discuss concerns about an applicant's placement with the relevant panel chair. I then meet with the Chief Operating Officer and the Chief Administrative Officer to discuss any continuing concerns. A similar process is used regarding managing director's selection decisions.

In addition to these independent reviews, GAO provides employees with several avenues to raise specific concerns regarding their individual performance ratings. The agency has an administrative grievance process that permits employees to receive expedited reviews of performance appraisal matters. Moreover, employees have access to early resolution efforts and a formal complaint process with O&I and at the Personnel Appeals Board.

Additional Efforts to Enhance Diversity Are Needed and Planned

Despite our continuing efforts to ensure a level playing field at GAO, more needs to be done. The data show that for 2002 to 2005 the most significant differences in average appraisal ratings were among African-Americans at all bands for most years compared with Caucasian analysts. Furthermore, the rating data for entry level staff show a difference in ratings for African-Americans in comparison to Caucasian staff at the entry-level from the first rating, with the gap widening in subsequent ratings. These differences are inconsistent with the concerted effort to hire analysts with very similar qualifications, educational backgrounds, and skill sets. In June 2006, we held an SES off-site meeting specifically focusing on concerns regarding the performance ratings of our African-American staff. Shortly thereafter, the Comptroller General decided that in view of the importance of this issue, GAO should undertake an independent, objective, third-party assessment of the factors influencing the average rating differences between African-Americans and Caucasians. I agree with this decision. We should approach our concern about appraisal ratings for African-Americans with the same analytical rigor and independence that we use when approaching any engagement. We must also be prepared to implement recommendations coming out of this review.

While we continue to have a major challenge regarding the average performance ratings of African-Americans, the percentages of African-Americans in senior management positions at GAO have increased in the last several years. I believe that the O&I monitoring reviews, direct access to top GAO management, and the other safeguards have played a significant role in these improvements. Specifically, from fiscal year 2000 to fiscal year 2007, the percentage of African-American staff in the SES/Senior Level (SL) increased from 7.1 percent to 11.6 percent, and at the Band III level the percentages increased from 6.7 percent to 10.8 percent. The following table shows the change in representation of African-American staff at the SES/SL and Band III levels for each year.

Table 1: Percentages of GAO's SES/SL and Band III Staff That Are African-Americans, Fiscal Years 2000 to 2007.

Fiscal years	Percentage of SES/SL level staff that are African-American	Percentage of Band III level staff that are African-American
2000	7.1	6.7
2001	7.0	7.3
2002	8.3	8.1
2003	9.0	8.9
2004	9.1	9.1
2005	9.0	10.5
2006	11.0	10.9
2007	11.6	10.8

Source: GAO.

Note: Data reflect the percentages at the start of the fiscal year.

Furthermore, the percentages of African-Americans in senior management positions at GAO compare favorably to the governmentwide percentages. While the percentage of African-Americans at the SES/SL level at GAO was lower than the governmentwide percentage in 2000, by September 2006, the GAO percentage had increased and exceeded the governmentwide percentage. At the Band III/GS-15 level, the percentage of African-American staff at GAO exceeded the governmentwide percentage in 2000 as well as in 2006. Table 2 lists the GAO and governmentwide percentages.

Tabl 2: African-Americans as a Percentage of SES/SL and Band III/GS-15 Staff, GAO and Governmentwide

	Percentage of African-American staff at the SES/SL level		Percentage of African-American staff at the Band III/GS-15 lev l	
	GAO	Governmentwide	GAO	Gov mmentwide
October 1, 2000	7.0	8.4	7.3	6.2
September 2006[a]	11.6	8.6	10.8	7.3

Source: GAO and GAO's analysis of the Office of Personnel Management data.

[a]The GAO percentages are as of October 2006.

Nonetheless, as an agency that leads by example, additional steps should be taken. We must continue to improve our expectation-setting and feedback process so that it is more timely and specific. We need additional individualized training for designated staff, and we need to provide training for all supervisors on having candid conversations about performance. We also need to improve transparency in assigning supervisory roles, ensure that all staff have similar opportunities to perform key competencies, and hold managers accountable for results. Finally, we will implement an agencywide mentoring program this summer. We expect that this program will help all participants enhance job performance and career development opportunities. Overall, GAO is making progress toward improving its processes and implementing various program changes that will help address important issues.

Conclusion

I believe there are two compelling diversity challenges confronting GAO and the federal government. First, is the continuing challenge of implementing sufficiently specific merit-based policies, safeguards, and training in order to minimize the ability of individual biases to adversely affect the outcome of those policies. Second, is the challenge of having managers that can communicate with diverse groups of staff, respecting their differences and effectively using their creativity to develop a more dynamic and productive work environment.

For many people, the workplace is the most diverse place they encounter during the course of their day. We owe it to our employees and to the future of our country to improve our understanding of our differences, and to work toward a fairer and more inclusive workplace.

Chairman Akaka, Chairman Davis, and members of the subcommittees, this concludes my prepared statement. At this time I would be pleased to answer any questions that you or other members of the subcommittees may have.

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Mr. DAVIS OF ILLINOIS. Thank you very much.
Mr. Copeland.

STATEMENT OF CURTIS W. COPELAND

Mr. COPELAND. Thank you, Mr. Chairman.

I am here today to discuss several issues that CRS was asked to address related to the implementation of GAO's Human Capital Reform Act of 2004.

The first issue was whether the Comptroller General told Congress and GAO employees during consideration of the legislation that all employees who received a meets expectations performance rating would receive annual adjustments to their base pay. The record indicates that the Comptroller General gave such assurances in writing and orally on several occasions.

For example, as one of your posters indicated, at a July 16, 2003 House hearing, the Comptroller General said GAO had agreed to "guarantee annual across the board purchase power protection and to address locality pay considerations to all employees rated as performing at a satisfactory level or above absent extraordinary economic circumstances or severe budgetary constraints."

He confirmed that assurance when answering specific questions from Representative Van Hollen during the hearing.

Minority views in the House committee report on the GAO Reform Act state the Comptroller General has "assured GAO employees that anyone performing satisfactory work will receive at least a cost of living adjustment."

The Comptroller General made similar assurances during a September 2003 Senate hearing. The Senate report on the GAO Reform Act states the committee had "received a commitment from the Comptroller General that absent extraordinary circumstances or serious budgetary constraints, employees or officers who perform at a satisfactory level will receive an annual base pay adjustment designed to protect their purchasing power."

The next issue was whether all GAO employees with meets expectations ratings did, in fact, receive those adjustments. As has been stated before, the short answer is no.

The record indicates that 308 of 1,829 GAO analysts and specialists, about 17 percent of that group, did not receive the 2.6 percent permanent pay increase that other GAO employees received in January 2006. All 308 employees had meets expectations ratings or better. Most of these employees were at the second of GAO's three-banded pay system, roughly GS–13 or 14 employees, but some employees at all three levels were affected.

In March 2006, GAO said the Comptroller General's statements in 2003 were "accurate at the time," but that subsequent events had altered his views on this issue. The most significant of these events was reportedly a market-based pay study by the Watson Wyatt consulting firm, indicating that many GAO employees were already paid more than what they should be, the maximum pay for their positions.

Also, separate from the Watson Wyatt study, GAO changed its compensation policy and concluded that certain employees at the top of the band should not receive annual pay increases unless other performance criteria were met over and above having met expectations.

Another question asked of CRS was whether the Watson Wyatt study was correct, that certain GAO employees were overpaid. Although CRS has recently obtained some detailed information about the study, that same information has also been provided to compensation experts, one of whom is testifying today. Therefore, we will defer to those experts for conclusions regarding this issue.

We would note however that the incumbents of the jobs being compared to the market were not substantively involved in the descriptions of their jobs or matching them to the market. In addition, the study was conducted by comparing GAO salaries to off the shelf pay surveys, not by comparing GAO to specific outside organizations with which it competes for talent.

Also, contrary to previous statements by GAO and others, Watson Wyatt did not reveal the need to split Band II into two groups. GAO instructed Watson Wyatt to collect data on Band II employees at two data points.

Finally, CRS was asked to describe the financial implications of the Comptroller General's decision to deny a pay increase to certain of GAO's employees with at least meets expectations ratings. Forecasting these kinds of financial implications is difficult and depends on a variety of factors. However, using what CRS believes to be reasonable assumptions, it appears the financial implications may be significant. As detailed in my written statement, a GAO Band IIA employee whose pay is frozen could forego nearly $120,000 in salary and retirement income over the next 25 years when compared to a similar non-GAO Federal employee.

Mr. Chairman, that concludes my prepared statement. I would be happy to answer questions.

[The prepared statement of Mr. Copeland follows:]

Congressional Research Service

Statement of Curtis W. Copeland
Specialist in American National Government
Congressional Research Service

Before

The Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
House of Representatives

and

The Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia
United States Senate

May 22, 2007

on

"GAO Personnel Reform: Does It Meet Expectations?"

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

My name is Curtis Copeland. I am here today to discuss certain issues related to the implementation of the new pay system at the Government Accountability Office (GAO). As requested pursuant to discussions with your staff, my testimony focuses on four issues: (1) whether the Comptroller General said during Congress's deliberations on the GAO Human Capital Reform Act of 2004 (P.L. 108-271) that GAO employees who "met expectations" would receive annual cost-of-living adjustments; (2) whether all of those employees received those adjustments; (3) the financial implications of the Comptroller General's decisions for GAO employees; and (4) whether a pay study conducted for GAO by the Watson Wyatt Worldwide consulting firm indicated that GAO employees were overpaid in comparison to the relevant labor market.

Before addressing those issues, I should begin by disclosing that I worked at GAO for more than 23 years — from September 1980 until January 2004. I moved to CRS more than six months before the GAO Human Capital Reform Act of 2004 was enacted. At GAO, I worked on a variety of issues, including civil service reform, ethics, and most recently, regulatory reform. At CRS, I am the head of the Executive Branch Operations Section within the Government and Finance Division, which includes civil service issues within its areas of coverage.

Annual Pay Adjustments and "Meets Expectation" Ratings

With regard to the first issue that CRS was asked to address, the record indicates that the Comptroller General stated on several occasions during the deliberations on the GAO Human Capital Reform Act that GAO employees who performed at or above a "meets expectations" level on all relevant ratings dimensions would receive annual adjustments to their base pay. These statements were made in writing and orally to congressional committees, individual Members, and GAO employees. For example:

- At a July 16, 2003, hearing on GAO's human capital reform proposal before the House Government Reform Committee's Subcommittee on Civil Service and Agency Organization, the Comptroller General said in his written statement that, in developing the proposal, GAO's Executive Committee had adopted several recommendations from GAO employees, one of which was "the commitment to guarantee annual across the board purchase power protection and to address locality pay considerations to all employees rated as performing at a satisfactory level or above (i.e., meeting expectations or above) absent extraordinary economic circumstances or severe budgetary constraints." He went on to say that GAO planned to satisfy that commitment through a GAO Order rather than through legislative language, and that he had "committed to our employees that I would include this guarantee in my statement here today so that it could be included as part of the legislative record."[1] Later in his written statement, the Comptroller General reiterated that "if GAO is granted this authority, all GAO employees who perform at a satisfactory level will receive an annual base pay adjustment composed of purchase power protection and locality based pay increases absent extraordinary economic conditions or severe budgetary constraints."[2] A table included in the appendix to the Comptroller General's written statement said the annual across-the-board increase to base pay would be provided "for all satisfactory performers." A footnote to the table said that, "absent extraordinary economic conditions or serious budgetary constraints, all GAO staff rated as performing at a satisfactory level (i.e., meeting expectations or higher) can expect to receive at a minimum an annual adjustment designed to protect purchasing power (e.g.,

[1] U.S. General Accounting Office, *GAO: Additional Human Capital Flexibilities Are Needed*, GAO-03-1024T (July 16, 2003), p. 10, available at [http://www.gao.gov/new.items/d031024t.pdf].

[2] Ibid., p. 17.

the Consumer Price Index) and address differences in compensation ranges by localities."[3]

- In response to a question from Representative Chris Van Hollen at the July 16, 2003, hearing, the Comptroller General said, "I have made it clear that, as long as employees are performing at the meets expectation level or better, then they will be protected against inflation." He said the only exception would be "extraordinary economic conditions, like deflation or hyperinflation or serious budgetary constraints."[4] Representative Van Hollen then said, "Let me make sure I understand what you were just saying. You have provided an assurance that except under extraordinarily bad budget scenarios, for example, a situation much worse than anything we're encountering even today, and things are pretty bad today — that you would assure that employees who are meeting the minimal expectation would receive a COLA and locality pay; is that right?" The Comptroller General then said, "Yes, and we would have a different method. But yes, they would receive protection against erosion of purchasing power due to inflation, and some consideration of locality at a minimum."[5]

- Christopher A. Keisling, a member of the GAO Employee Advisory Council, also testified at the July 16, 2003, House subcommittee hearing. In his written statement, Mr. Keisling said the Comptroller General had made several commitments to GAO employees that had tempered their concerns, including a statement that "employees who are performing adequately will be assured of some annual increase that maintains spending power. He outlined his assurance in GAO's weekly newsletter for June 30th that successful employees will not witness erosion in earning power and will receive an annual adjustment commensurate with locality-specific costs and salaries." Mr. Keisling went on to say that "To the extent that these steps are taken, overall employee opinion of the changes should improve because much of the concern has focused on making sure that staff who are performing adequately do not witness economic erosion in their pay."[6]

- GAO's human capital reform legislation (H.R. 2751) was introduced in the House of Representatives on the same day as the subcommittee hearing (July 16, 2003). The House Government Reform Committee's November 19, 2003, report on the legislation included the views of the minority members of the committee, who said that the Comptroller General "has assured GAO employees that anyone performing satisfactory work will

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[3] Ibid., pp. 28-29.

[4] U.S. Congress, House Committee on Government Reform, Subcommittee on Civil Service and Agency Organization, *GAO Human Capital Reform: Leading the Way*, hearing, 108th Cong., 1st sess. (Washington: GPO, 2003), p. 78.

[5] Ibid.

[6] U.S. General Accounting Office, *GAO's Proposed Human Capital Legislation: View of the Employee Advisory Council*, GAO-03-1020T, July 13, 2003, p. 9, available at [http://www.gao.gov/new.items/d031020t.pdf].

receive at least a cost of living adjustment."[7] H.R. 2751 passed the House on February 25, 2004.

- On September 16, 2003, the Senate Committee on Governmental Affairs held a hearing on pending GAO human capital legislation (S. 1522, which had been introduced in the Senate on July 31, 2003). In his written statement, the Comptroller General recommended passage of the legislation, and said that although GAO employees had expressed strong concerns about the initial proposal, "those concerns have been reduced considerably by the clarifications, changes, and commitments I have made."[8] He included a copy of his July 16, 2003, testimony as an appendix to his written statement, in which he said that one such commitment was "to guarantee annual across the board purchase power protection and to address locality pay considerations to all employees rated as performing at a satisfactory level or above (i.e., meeting expectations or above) absent extraordinary economic circumstances or severe budgetary constraints."[9] GAO's Employee Advisory Council did not testify at this hearing, but provided a statement for the record that was virtually the same as its testimony before the House subcommittee two months earlier.[10]

- During the September 16, 2003, hearing, Senator Thomas Carper asked the Comptroller General how employees could be ensured protection against inflation in a pay for performance system. The Comptroller General said that "for the 97-plus percent of our employees who are performing at an acceptable level or better, . . . we will protect them against inflation at a minimum."[11]

- The Senate Committee on Governmental Affairs, in its December 9, 2003, report on the GAO human capital reform legislation said that the committee had "received a commitment from the Comptroller General that, absent extraordinary circumstances or serious budgetary constraints, employees or officers who perform at a satisfactory level will receive an annual base-pay

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[7] U.S. Congress, House Committee on Government Reform, *GAO Human Capital Reform Act of 2003*, report to accompany H.R. 2751, 108th Cong., 1st sess., H.Rept. 108-380 (Washington: GPO, 2003), p. 23, available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_reports&docid=f:hr380.108.pdf].

[8] U.S. General Accounting Office, *GAO: Transformation, Challenges, and Opportunities*, GAO-03-1167T (Sept. 16, 2003), p. 33, available at [http://www.gao.gov/new.items/d031167t.pdf].

[9] Ibid., p. 60.

[10] U.S. General Accounting Office, *GAO's Proposed Human Capital Legislation: Views of the Employee Advisory Council*, GAO-03-1162T (Sept. 16, 2003), pp. 9-10, available at [http://www.gao.gov/new.items/d031162t.pdf].

[11] U.S. Congress, Senate Committee on Governmental Affairs, *Oversight of GAO: What Lies Ahead for Congress' Watchdog?*, hearing, 108th Cong., 1st sess. (Washington: GPO, 2003), pp. 19-20.

adjustment designed to protect their purchasing power."[12] S. 1522 passed the Senate on June 24, 2004, and was enacted into law on July 7, 2004.

Several other descriptions of GAO's new pay system addressed this issue as well. For example, a set of questions and answers provided to GAO employees in June 2003 stated that "GAO will, absent extraordinary economic conditions or serious budgetary constraints, provide all GAO staff who are rated as performing at a satisfactory level (i.e., meets expectations or higher) both across the board and performance-based annual pay adjustments."[13] Using almost identical language, a GAO official testifying after enactment of the GAO Human Capital Reform Act in July 2004 said, "GAO will, absent extraordinary economic conditions or serious budgetary constraints, provide all GAO staff whose performance is at a satisfactory level both across-the-board, and, as appropriate, performance-based annual pay adjustments."[14] Also, a newspaper article appearing after passage of the legislation by the House but before Senate consideration stated that GAO planned to hire a compensation consultant to compare GAO pay with that of other organizations, and quoted the Comptroller General as saying that "Regardless of how the review turns out, no GAO employee will take a cut in pay and all employees will receive an adjustment to keep pace with inflation each year."[15] Another article published in November 2005 quoted the Comptroller General as saying that "employees would receive a 2.6 percent across-the-board raise if they are meeting job expectations."[16]

Also, documents currently on GAO's website continue to suggest that employees performing satisfactorily can expect an annual pay adjustment. For example, a description of the GAO Human Capital Reform Act's provisions states that the act "establishes a compensation system that places greater emphasis on job performance while protecting the

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[12] U.S. Congress, Senate Committee on Governmental Affairs, *GAO Human Capital Reform Act of 2003*, report to accompany S. 1522, 108th Cong., 1st sess., S.Rept. 108-216 (Washington: GPO, 2003), p. 9, available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_reports&docid=f:sr216.108.pdf].

[13] U.S. General Accounting Office, "Additional Human Capital II Questions and Answers (Second Set: June 27, 03)," p. 3, provided to CRS by House Committee on Government Reform staff. The same document (p. 4) also said "The Comptroller General has stated that, absent extraordinary economic conditions or serious budgetary constraints, all GAO staff who are rated as performing at the satisfactory level (i.e., meets expectations or higher) can expect to receive an annual adjustment designed to protect purchasing power (e.g., the Consumer Price Index "CPI") and address differences in competitive compensation by varying localities. Based on the results of last year's performance appraisal process, over 97 percent of GAO's analysts met this standard."

[14] Statement of J. Christopher Mihm, Managing Director, Strategic Issues, U.S. Government Accountability Office, *Human Capital: Building on the Current Momentum to Transform the Federal Government*, GAO Report GAO-04-976T (July 20, 2004), p. 18.

[15] Stephen Barr, "Other Agencies May Learn From GAO's Pay, Classification Review," *Washington Post*, May 13, 2004, p. B2.

[16] Stephen Barr, "GAO Radically Restructures Pay to Reflect Market Rates, Performance," *Washington Post*, Nov. 7, 2005, p. B2.

purchasing power of employees who are performing acceptably."[17] GAO's *Human Capital Strategic Plan: Fiscal Years 2004-2006* states that "all GAO employees who perform at a satisfactory level will receive an annual base pay adjustment composed of purchase power protection and locality-based pay considerations absent extraordinary economic circumstances or severe budgetary constraints."[18]

Some GAO Employees Received No Annual Pay Increase

The second issue that CRS was asked to address was whether all GAO employees who were rated as having met performance expectations did, in fact, receive an annual across-the-board pay increase in January 2006. The short answer is no. GAO noted in its response to questions after a March 10, 2006, hearing by the House Committee on Appropriations on GAO's FY2007 appropriation that of the 1,829 GAO Analysts and Specialists assessed for performance-based compensation and actually on board on the effective date of the pay adjustments, 308 employees (approximately 17%) did not receive across-the-board permanent pay increases in January 2006 (which was a 2.6% increase in base pay). Of these employees, 14 were in Band III (roughly GS-15 equivalent); five were in Band IIB (GS-14); 236 were in Band IIA (GS-13); and 53 were in Band I (GS-7 through GS-12).[19] GAO confirmed with CRS last fall that all 308 employees had performance ratings of "meets expectations" or better on all relevant competencies during the rating period.

Another of the post-hearing questions in March 2006 cited the Comptroller General's statements at the House subcommittee hearing on July 16, 2003, assuring "purchase power protection" raises to all GAO employees who met expectations, absent extraordinary economic circumstances or severe budgetary constraints. Given these statements, the questioner asked why these 308 GAO employees who "met expectations" were not given an across the board pay increase. In response, GAO said the Comptroller General's statements to Congress in 2003 were "accurate at the time," but said "there have been significant subsequent events that have altered the Comptroller General's views on whether and when employees should receive pay adjustments."[20] GAO said the most significant of these events was the completion of the Watson Wyatt pay study, which indicated that certain employees were already paid more than what should be the maximum pay for their positions. As a result, 53 Band I and 236 Band IIA employees did not receive the 2.6% annual adjustment to their base pay in January 2006 because, according to the Watson Wyatt study, they were already paid more than the maximum salaries for their bands ($75,900 for Band I and $101,600 for Band IIA).

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[17] Available at [http://www.gao.gov/about/namechange.html].

[18] U.S. Government Accountability Office, *The Human Capital Strategic Plan: Fiscal Years 2004-2006*, p. 9, available at [http://www.gao.gov/new.items/d041063sp.pdf].

[19] "Final Questions and Answers Submitted for the Record as Part of GAO's 2007 Appropriation Hearing," Mar. 27, 2006, provided to CRS by House Committee on Government Reform staff. GAO adopted a three-band pay system in 1989, and divided the middle band into Band IIA and Band IIB in late 2005 for the 2006 pay cycle. For more on this action, see U.S. Government Accountability Office, *Band II Restructuring* (GAO Order 2900.3), Nov. 4, 2005.

[20] Ibid., p. 2.

However, some employees at the Band IIB and Band III levels did not receive the annual increase in January 2006 because of a change in GAO policy — not because of the Watson Wyatt pay study. According to that policy, for employees who were paid less than the maximum rate of their band, but more than a "speed bump" rate (established at about the 75% point of the bands, based on the Watson Wyatt results), their ability to receive an annual pay increase was also based on their performance appraisals relative to those of other GAO employees in their team and band. For Band IIB employees, their rating had to be in the top 50% of their cohort; for Band III employees, their rating had to be in the top 80% of their cohort.[21] As a result, five Band IIB employees received no annual adjustment to their base pay because they were paid more than the Band IIB speed bump ($118,000), and they were not in the top 50% of appraisal scores for their band and team. Similarly, 14 Band III employees received no annual pay adjustment because they were paid more than the Band III speed bump ($129,800), and they were not in the top 80% of appraisal averages for their band and team.

Settlement of Appeal. In September 2006, 12 of the employees who had been assigned to Band IIA filed a petition with the GAO Personnel Appeals Board (PAB) alleging that their reassignment from Band II to Band IIA was a violation of the GAO Personnel Act. Each of the 12 petitioners also challenged the legality of GAO Order 2540.3 (which put in place the GAO annual adjustment and performance-based compensation system) and the FY2005 Performance-Based Compensation Guide for Analysts, Specialists, and Investigators. On April 5, 2007, GAO agreed to a settlement of all 12 appeals, agreeing to retroactively place the petitioners into Band IIB effective January 8, 2006, with full back pay, including appropriate retirement contributions and interest.[22] Because all 12 employees had been denied the January 2006 annual pay increase, the number of employees who still have not received that increase has fallen to 296 (308 minus 12).

Financial Implications of Receiving No Annual Pay Adjustment

The third issue that CRS was asked to address was the financial implications of the Comptroller General's decision to deny annual pay increases to certain GAO employees with "meets expectations" performance ratings. As noted, GAO employees in Band I and Band IIA who were already being paid in excess of the new maximum rate for their band were not eligible for the 2.6% annual pay increase in January 2006. These employees, under the system in place, will receive no annual pay increases until the maximum rate for their band increases to a point above the employees' current salary. Likewise, GAO employees in Band IIB were not eligible for the 2.6% pay increase in January 2006 if their salary was already over the "speed bump" for the band and if their performance rating was in the lower half of all other Band IIBs in their team. They will not be eligible for annual pay increases until their performance improves vis-a-vis others at their band level in their team or the "speed bump" increases to a point above the employees' current salary.[23]

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[21] U.S. Government Accountability Office, *Pay Administration in the Analyst Performance-Based Compensation System*, Order 2540.3 (June 12, 2006).

[22] One of the petitioners separated from GAO in 2006, so her back pay was calculated from January 8, 2006, until the date of her separation.

[23] GAO notified CRS that both the maximum rate of the bands and the speed bumps will be increased (continued...)

Similarly, GAO employees in Band III were not eligible for the 2.6% annual pay increase in January 2006 if their pay was over the "speed bump" for the band and their performance rating was in the bottom 20% of all other Band IIIs in their team. However, unlike GAO employees in the other bands, the pay increases for Band III employees are no longer frozen. In late 2006, GAO revised its order on performance-based pay and eliminated the "speed bump" for Band III; as a result, all Band III employees with a "meets expectation" rating are now eligible for an annual pay increase (this year, 2.4% at GAO).[24]

It is possible that the pay and the retirement annuities of certain Band I, IIA, and IIB employees will be permanently affected by the decision to freeze their annual pay increases. Perhaps the best way to illustrate this effect is through a hypothetical example involving the GAO employees that were most affected by the pay freeze — those in Band IIA.

As shown in **Table 1**, if a GAO Band II employee in Washington, D.C., making $110,000 per year in 2005 was placed in Band IIA, because the pay cap for Band IIA in January 2006 was $101,600, the employee would not have been eligible for the 2.6% permanent pay adjustment that GAO gave that year. However, under the GAO system, that employee would have received 50% of any performance-based compensation in the form of an increase in base pay. For example, as **Table 1** indicates, if the employee was eligible to receive $2,000 in performance-based compensation in January 2006 (slightly higher than the average for Band IIA employees that year), he or she would have received a $1,000 increase in base pay, raising the employee's annual pay to $111,000 in January 2006.[25] In comparison, the annual pay of a non-GAO federal employee in Washington, D.C., making $110,000 per year in 2005 would have increased to $113,784 in January 2006 as a result of the 3.44% government-wide pay increase at that time — $2,784 per year more than the GAO employee.

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[23] (...continued)
using factors that the GAO Human Capital Reform Act requires the Comptroller to consider, including the need to protect the purchasing power of officers and employees of the Office. Between 2006 and 2007, the rate of increase was about 3%.

[24] U.S. Government Accountability Office, *Pay Administration in the Analyst-Performance-Based Compensation System*, Order 2540.3.

[25] GAO informed CRS that the average performance-based pay increase in January 2006 was about $1,000.

Table 1. Projected Changes in Annual Pay for GAO (Band IIA) and Non-GAO Employees Earning $110,000 in 2005

Year	Band IIA Pay Cap	GAO Employee Annual Pay	Non-GAO Employee Annual Pay	Non-GAO Employee's Pay Advantage
2005	N/A	$110,000	$110,000	$0
2006	$101,600	$111,000	$113,784	$2,784
2007	$104,700	$113,000	$116,788	$3,788
2008	$107,841	$114,500	$120,291	$5,791
2009	$111,076	$116,000	$123,900	$7,900
2010	$114,408	$117,500	$127,617	$10,117

Note: Changes in the Band IIA pay cap between 2006 and 2007 were slightly more than 3%, so the table assumes a 3% increase in subsequent years. GAO employees at this salary level received 50% of their performance-based compensation in the form of base pay in 2006, and will receive 100% as base pay in 2007. The table assumes 75% in subsequent years, on a constant base of $2,000. The increase in non-GAO employees' annual pay was 3.44% in 2006, and 2.64% in 2007— an average of about a 3% increase. The table assumes a 3% increase in subsequent years.

That same sequence of events would continue in the next several years. For example, although the Band IIA pay cap in 2007 increased to $104,700, the employee's salary of $113,000 ($111,000 plus a $2,000 increase through performance-based compensation, because the Comptroller General has decided to allow 100% of the performance-based compensation to count towards base pay in 2007) still exceeds that cap, making the employee ineligible for the 2.4% annual pay increase at GAO in 2007. Meanwhile, the non-GAO employee in Washington received a 2.64% annual pay increase, raising his or her annual salary to $116,788 — $3,788 more than the GAO employee. Assuming a continuation of this general trend, by 2010, the GAO employee's salary would be about $10,117 less than the non-GAO employee's salary ($117,500 versus $127,617). Cumulatively, from 2006 through 2010, the GAO employee's annual pay under this scenario would be $30,380 less than the non-GAO employee's.

This difference in annual pay would have implications for the employees' pensions when they retire. Assuming both employees are in the Civil Service Retirement System, retire at the end of 2010, and both have 30 years of federal service, the GAO employee's "high three" salary (the average of his or her last three years) would be $116,000, yielding an estimated annual pension of $65,250.[26] In comparison, the non-GAO employee's high three annual salary would be $123,954, yielding an estimated annual pension of $69,724 — $4,474 per year more than the GAO employee's. Assuming that the two employees draw their pensions for 20 years, the cumulative pension difference (not including cost of living increases that will likely be provided during this period) would be $89,480. This difference, when added to the $30,380 cumulative difference in salary described above, would yield a total salary and pension differential over the full 25-year period of $119,860.

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[26] Civil Service Retirement System employees with 30 years of service receive pensions equal to 56.25% of their high three average salary.

Please note, however, that these estimates are based on various assumptions (e.g., the amount of the non-GAO pay increase, the rate of increase in the Band IIA pay cap, and the amount of performance-based compensation earned and the percentage of that compensation that is allowed to be counted as base pay). Therefore, the actual amount of future increases or pay differentials may vary considerably from these estimates. Also, the estimates do not include any performance-based pay that GAO employees may receive that is not counted as part of their base pay. On the other hand, the non-GAO employees' pay projections also do not include any bonuses, or any within-grade or quality step increases, that they may have received, the latter of which would increase the employees' base pay used in calculating retirement benefits.

Whether GAO Employees Were Overpaid

The last issue that CRS was asked to address was whether certain GAO employees were, in fact, overpaid at the time of the Watson Wyatt pay study or the January 2006 pay adjustment. Last March when I testified on this issue, I said that CRS did not have sufficient information about the Watson Wyatt study to be able to offer such observations. For example, it was unclear how GAO occupations were analyzed and described; how GAO determined the relevant competitive market (i.e., the other organizations with which GAO competes for talent); and how GAO occupations were matched to occupations in the competitive market. Since March, we have obtained additional information on these issues from GAO and elsewhere, some of which is discussed below. However, because of the complexity of the GAO pay system and the Watson Wyatt study, and the fact that we have only begun to review many of the documents that were recently provided, we can still offer no definitive conclusions regarding whether certain GAO employees were, in fact, overpaid at the time of the study.

Description of GAO Occupations. A common starting point for the comparison of an organization's jobs to the competitive market is the development of accurate descriptions of the benchmark jobs.[27] One way to obtain that information is by talking to current job incumbents to ascertain what knowledge, skills, and abilities are required in the occupations; what the job processes entail; and the level of responsibility involved in the work. However, Watson Wyatt did not interview current job incumbents in the development of the GAO position descriptions. Instead, Watson Wyatt relied primarily on discussions with senior GAO management to develop the descriptions of the various jobs and job levels that were used in matching GAO jobs to those outside of GAO.[28] The descriptions of the GAO positions were reportedly very short (generally four to seven sentences), and focused on general descriptions of work activities and responsibilities.

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[27] In some organizations, this information would already be available in the position descriptions for the targeted occupations. However, GAO said it does not have position descriptions for its occupations. Instead, it has "band role definitions" for all analysts and related staff. All employees within a band, regardless of occupation, are assigned to the same "benchmark" that describes the range of duties and responsibilities associated with that band level, but those benchmarks have no references to required experience or education. Therefore, GAO said, these band role definitions could not be used in the Watson Wyatt study to determine comparable positions.

[28] In addition to about 30 senior GAO managers, this process also involved three members of the GAO Employee Advisory Council.

In response to questions from CRS, GAO said it did not ask current job incumbents to be involved in describing their jobs because "there were not significant differences by individual employees that needed to identified and/or clarified."[29] Also, GAO said the managers interviewed by Watson Wyatt "have extensive years of GAO experience and many have worked at all levels of the organization."[30] Obtaining information from management officials on an organization's jobs can be a legitimate method of deriving job descriptions to be used in a market-based pay study. However, it is unclear how many of these GAO senior managers had actually worked in the targeted positions (e.g., not just analysts but attorneys, economists, and information technology specialists); or if so, how recent their job experiences had been (particularly at the lower band levels).

Determination of GAO Competitor Organizations. GAO said that it relied on these same senior managers to identify the external organizations with which it competes for talent. Although GAO does exit interviews with staff when they leave the organization, GAO said it does not systematically collect information on their subsequent employment.[31] Watson Wyatt reportedly interviewed the managers to compile a list of "illustrative competitors" based on their knowledge of organizations to which GAO loses employees and from which GAO attracts employees. GAO said these management officials were able to identify competitor organizations or types of organizations (e.g., not-for-profit or for-profit) based on exit interviews that some of them conduct with staff, and on their own personal recruitment efforts.

However, it is unclear how important this process of identifying competitor organizations was to the overall market pay process. As GAO's General Counsel told the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia in a March 30, 2007, letter, the Watson Wyatt pay study was not conducted by comparing GAO to specific outside organizations. Instead, using information from the job descriptions provided primarily by GAO senior management, Watson Wyatt linked those jobs to off-the-shelf market pay studies that contained information on jobs that were believed to be similar to the GAO occupations GAO said that it does not compete directly with all of the organizations that contributed to the market pay studies that Watson Wyatt used, but all of the jobs whose pay information that was used in the study were considered comparable to GAO occupations. One pay expert who examined the Watson Wyatt data for the subcommittee said it is virtually impossible to determine which particular companies contributed data that were ultimately used in the GAO pay study.

Identification of Comparable Occupations. Section 3(a) of the GAO Human Capital Reform Act of 2004 requires the Comptroller General to "consider" several factors in determining GAO employees' annual pay adjustments, including "the pay rates for the same levels of work for officers and employees of the Office and non-Federal employees in each local pay area." The act does not indicate how "the same levels of work" are to be

[29] GAO response to CRS questions, May 10, 2007.

[30] Ibid.

[31] As recently as early April 2007, GAO said that the Watson Wyatt salary data were drawn from "employers that we typically compete with for talent." (Letter from David M. Walker, Comptroller General of the United States, to Daniel P. Mulhollan, Director, CRS, April 3, 2007.) Later, though, GAO said it "did not have systematic data on the specific organizations with which we directly compete." (GAO response to CRS questions, May 10, 2007.)

determined between GAO and non-GAO employees. However, the House report on the act states that, in considering factors related to economic data, "the data will be specifically related to positions at GAO."[32]

GAO told CRS that brief descriptions of the GAO occupations and levels for which they were requesting salary ranges were reviewed by members of GAO's senior management as well as the GAO Executive Committee before their inclusion in the contract solicitation. After the contract was awarded and after obtaining additional information about the targeted positions from GAO senior management, Watson Wyatt reportedly used its professional judgment to select position descriptions from surveys that it believed were comparable to the GAO positions. The descriptions of the jobs in these studies, like those of the GAO benchmark occupations, were reportedly very brief. To make the comparisons, Watson Wyatt reportedly used a "whole job" method rather than comparing specific competencies or job evaluation point scores. Then, Watson Wyatt met with the same group of GAO senior managers mentioned previously to determine the validity of the matches between the GAO jobs and the descriptions of the jobs in other organizations. Ultimately, the job matches were approved by the GAO Executive Committee.

GAO said that the salary surveys used by Watson Wyatt contained positions that were and were not comparable to GAO occupations, but (as noted previously) only salary data associated with positions matched to GAO benchmark jobs were used in determining salary ranges. All other salary data in those surveys (i.e., from positions deemed not comparable to the GAO jobs) were reportedly excluded from the Watson Wyatt study.

Role of Watson Wyatt in Splitting of Band II. In late 2005, GAO announced that Band II would be split into two separate bands — Band IIA (roughly equivalent to GS-13) and Band IIB (GS-14). As a result of this split and the assignment of about two-thirds of Band II employees into Band IIA, more than 200 GAO employees were considered "overpaid" and therefore ineligible for the annual pay increase in January 2006. The Comptroller General told GAO employees in February 2007 that he did not want to restructure Band II, but that the GAO Human Capital Reform Act required him to do so.[33] He was quoted as having made similar comments in a March 2007 *Federal Times* article.[34] However, in a letter to the Chairman of the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, he agreed with the Chairman's assessment that "the Act did not require me to undertake a market-based compensation study," and that he had done so because he believed such a study would be "the best and most effective means to ensure that GAO's pay practices were competitive so that the agency could attract and retain top talent."[35]

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[32] U.S. Congress, House Committee on Government Reform, *GAO Human Capital Reform Act of 2003*, report to accompany H.R. 2751, 108th Cong., 1st sess., H.Rept. 108-380 (Washington: GPO, 2003), p. 9.

[33] CG Town Hall Forum, Feb. 27, 2007.

[34] M.Z. Hemingway, "Comptroller general pans CRS study of GAO pay," *Federal Times*, Mar. 12, 2007, in which he was quoted as saying that the law "forced him" to adjust the way GAO employees were paid, taking into account the labor market and other factors.

[35] Letter from Comptroller General David M. Walker to the Honorable Danny K. Davis, Chairman, (continued...)

On several occasions in recent years, GAO and others have indicated that the Watson Wyatt data led to the decision to split Band II into Band IIA and Band IIB.[36] However, GAO recently told CRS that it instructed Watson Wyatt to collect salary information for the analyst and other occupations at two levels equivalent to Band II — at the "senior" level (equivalent to what became Band IIA) and at the "lead" level (equivalent to what became Band IIB). "Therefore," GAO said, "it is not accurate to say that the Watson Wyatt data revealed a need to restructure positions at Band II, but rather that the survey descriptors reflecting leadership and supervisory responsibilities had a higher market median and supported GAO's decision to restructure the band into two pay levels."[37] When asked whether Watson Wyatt would have provided data at three levels within Band II if instructed to do so, GAO said that, to the extent that relevant data existed, "Watson Wyatt would have endeavored to collect salary data for the number of positions and levels [that GAO] requested."[38]

Validity of the Pay Data. Another way to assess the validity of the Watson Wyatt market-based pay study is to examine the actual market salary data used in that study. In early 2006, the Comptroller General resisted requests from GAO employees to see the data, asserting that they were not experts on market-based compensation and that doing so would take the employees away from the agency's mission.[39] GAO also said it could not provide CRS with the details of the Watson Wyatt study because the information was "proprietary."[40]

On March 30, 2007, though, in response to a congressional request, GAO provided the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia with some — but not all — of the market pay data that Watson Wyatt used in the pay study that it conducted for GAO from July through November 2004. GAO said it had "not been able to locate" four 2004 studies from Mercer Human Resource Consulting, one study from Cordom Associates, and information that GAO itself gathered ("Custom Data"). GAO later produced the missing data, and we understand that GAO has recently made the Watson Wyatt pay data available for review by its own employees. However, some of the information provided to the subcommittee appeared to be missing, limited, or contradictory.[41]

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[35] (...continued)
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Mar. 21, 2007.

[36] For example, in an October 2005 document provided to GAO employees ("Band II Restructuring: Frequently Asked Questions"), GAO said "The Watson Wyatt study, when comparing GAO's roles, responsibilities and pay to the related market found two distinct roles within our existing Band II level and the related market study validated that these two roles should have different pay ranges." See also Stephen Barr, "GAO Pay Restructuring Already Having an Impact," *Washington Post*, Feb. 26, 2006, p. C-2, which said "GAO restructured its pay based on a study of its competitors in the labor market."

[37] GAO response to CRS questions, May 10, 2007.

[38] Ibid.

[39] Mollie Ziegler, "GAO's 'professional skeptics' want to see salary data," *Federal Times*, Mar. 20, 2006.

[40] M.Z. Hemingway, "Comptroller general pans CRS study of GAO pay," *Federal Times*, Mar. 12, 2007.

[41] For example, in the GAO "Custom Data," GAO provided only blank information collection forms for the attorney and financial auditor positions at the Congressional Budget Office. Three other
(continued...)

Also, although Watson Wyatt and GAO gathered salary data on positions in for profit, not-for-profit, general industry, and federal government organizations, the information on federal government pay rates were ultimately dropped from the study. It is unclear why the federal pay data were eliminated, given that about 35% of the non-retirement separations from GAO in recent years has been transfers to other federal agencies.

The House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia has engaged the services of human resource management experts from academia and elsewhere to review the Watson Wyatt pay data and comment on their quality, and one of those experts is testifying at today's hearing. Therefore, CRS will defer to these experts for this portion of the analysis.

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Mr. Chairmen, that concludes my prepared statement. I would be happy to answer any questions that you or other Members of the Subcommittee might have.

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[41] (...continued)
forms were also blank and did not indicate which organization had been contacted. For the supervisory economist position at CBO, the average salary was lower than the salary range minimum. Also, it appeared that GAO contacted only one private sector law firm.

Mr. DAVIS OF ILLINOIS. Thank you very much.
Mr. Shimabukuro.

STATEMENT OF JON SHIMABUKURO

Mr. SHIMABUKURO. Thank you, Mr. Chairman.

My name is Jon Shimabukuro. I am a legislative attorney with the American Law Division of the Congressional Research Service, and I thank you for the opportunity to testify today on personnel reform at the Government Accountability Office.

My testimony today will discuss the statutory authority for the denial of annual pay adjustments to 308 GAO analysts and specialists in January 2006. In particular, my testimony will focus on Section 3 of the GAO Human Capital Reform Act of 2004. This section has been identified as providing the Comptroller General with the authority to deny annual pay adjustments.

Another section of the GAO Reform Act, Section 4, was previously identified as a separate source of authority. However, as explained in my written testimony, Section 4 is no longer considered by GAO to be applicable and for that reason will not be discussed today.

Section 3(a) of the GAO Reform Act states that the basic rates of officers and employees of the office shall be adjusted annually to such extent as determined by the Comptroller General. In making his determination on the extent of the adjustment, the Comptroller General is required to consider six factors including the need to protect the purchasing power of GAO officers and employees. Section 3(a) also indicates that an adjustment should not be applied in the case of an officer or employee whose performance is not at a satisfactory level.

In information provided to CRS by GAO, the agency maintained that Section 3(a) provides the Comptroller General with broad discretion to determine if an employee should receive an adjustment. The agency noted that so long as the factors identified in Section 3(a) are considered, the Comptroller General is authorized to determine the appropriate adjustments including the option of providing no adjustment.

However, an examination of Section 3(a) suggests that such broad discretion is not authorized by the section. The language of Section 3(a) and the section's legislative history appear to illustrate clear congressional intent to have a pay adjustment in the form of an increase in basic pay rates for all officers and employees who perform at a satisfactory level. The existence of such congressional intent is significant because a court, if asked to review the agency's actions, would first attempt to determine what Congress intended when it passed the GAO Reform Act.

To discern congressional intent, a reviewing court would begin with the language used in the statute. In this case, the use of the term, shall, in Section 3(a) is particularly noteworthy. General principles of statutory construction construe the term, shall, to be imperative or mandatory. Section 3(a) indicates that basic rates shall be adjusted annually. This clause avoids the use of the generally permissive term, may, which would have suggested greater discretion over the decision to deny pay adjustments.

Section 3(a) also indicates that an adjustment shall not be available for an officer or employee whose performance is not at a satisfactory level. General principles of statutory construction dictate that each part of a section must be interpreted in reference to the statute as a whole. Here, if one considers Section 3(a) in its entirety, it seems unlikely that the basic rate of an officer or employee performing at a satisfactory level would either not be adjusted or would be adjusted downward. Section 3(a) appears to establish that only individuals who are not performing at a satisfactory level will be ineligible for an adjustment.

The legislative history of Section 3(a) further illustrates Congress' understanding that a pay increase would be available for GAO officers and employees performing at a satisfactory level. Both the House and Senate reports that accompany the GAO Reform Act describe assurances or commitments from the Comptroller General that employees at a satisfactory level will receive an annual pay adjustment.

The language of Section 3(a) and the legislative history of the section considered together appear to generally support the position that a pay adjustment would be required for officers and employees who perform at a satisfactory level. Although Section 3(a) does permit the Comptroller General to determine when performance is satisfactory, here, attainment of a meets expectations rating would seem to comply with a common understanding of satisfactory performance.

According to various sources, a meets expectations rating was considered to be a good rating with the agency. Moreover, at a 2003 hearing, the Comptroller General confirmed that a pay adjustment would be available "as long as employees are performing at the meets expectations level or better."

I would once again like to thank the subcommittees for the opportunity to testify today, and I welcome any questions you may have about my testimony.

[The prepared statement of Mr. Shimabukuro follows:]

Congressional Research Service

Statement of Jon Shimabukuro
Legislative Attorney, American Law Division
Congressional Research Service

Before

The Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
United States House of Representatives

The Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
United States Senate

May 22, 2007

on

"GAO Personnel Reform: Does it Meet Expectations?"

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

My name is Jon Shimabukuro. I am a Legislative Attorney with the American Law Division of the Congressional Research Service, and I thank you for the opportunity to testify today on personnel reform at the Government Accountability Office ("GAO").

In January 2006, approximately 308 GAO analysts and specialists were denied annual pay adjustments. Although these analysts and specialists were reportedly performing at a "meets expectations" evaluation level or better during the applicable rating period, the adjustments were denied based on the establishment of new maximum pay rates for some of the employees, and the application of additional performance criteria for other employees with salaries at or above a specified rate. My testimony today will focus on the statutory authority for the denials. In particular, my testimony will examine two sections of the GAO Human Capital Reform Act of 2004 ("GAO Reform Act")[1] that have been identified as arguably providing the Comptroller General with the authority to deny the annual pay adjustments. Section 3 of the GAO Reform Act addresses annual pay adjustments. Section 4 of the GAO Reform Act discusses pay retention.

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[1] Pub. L. No. 108-271, 118 Stat. 811 (2004).

The affected GAO analysts and specialists occupied positions in various pay bands at the agency. In 1989, when the pay bands were first established, three pay bands were formed: Band I, Band II, and Band III. In 2005, Band II was split into two categories: Band IIA and Band IIB. New maximum rates of basic pay were established for Band I and Band IIA employees that were lower than the previous maximum rates for Band I and Band II. Pay adjustments were denied to Band I and Band IIA employees whose salaries were in excess of the new maximum rates of basic pay for the bands.

Pay adjustments for Band IIB and Band III employees were denied in January 2006 based on whether the salaries of these employees were at or above specified rates or "speed bumps" established by GAO and whether the employees' job performance met additional performance criteria. The speed bumps were set between the market median or competitive pay rates for positions covered by the pay range and the maximum rates for the band. In general, the speed bumps were set at the 75th percentile of the pay range. Band IIB employees whose salaries were at or above the speed bump were required to be in the top 50 percent of the appraisal averages for Band IIB employees in their band and team. Band III employees whose salaries were at or above the speed bump were required to be in the top 80 percent of appraisal averages in their band and team to receive the adjustment.

Section 3(a) of the GAO Reform Act amended 31 U.S.C. § 732(c) to state that the "basic rates of officers and employees of the Office shall be adjusted annually to such extent as determined by the Comptroller General." 31 U.S.C. § 732(c)(3), as amended, indicates that the Comptroller General shall consider six factors in making his determination:

> (A) the principle that equal pay should be provided for work of equal value within each local pay area;
>
> (B) the need to protect the purchasing power of officers and employees of the Office, taking into consideration the Consumer Price Index or other appropriate indices;
>
> (C) any existing pay disparities between officers and employees of the Office and non-Federal employees in each local pay area;
>
> (D) the pay rates for the same levels of work for officers and employees of the Office and non-Federal employees in each local pay area;
>
> (E) the appropriate distribution of agency funds between annual adjustments under this section and performance-based compensation; and
>
> (F) such other criteria as the Comptroller General considers appropriate, including, but not limited to, the funding level for the Office, amounts allocated for performance-based compensation, and the extent to which the Office is succeeding in fulfilling its mission and accomplishing its strategic plan.

31 U.S.C. § 732(c)(3) also provides that an adjustment "shall not be applied in the case of an officer or employee whose performance is not at a satisfactory level, as determined by the Comptroller General for purposes of such adjustment."

In information provided to CRS by GAO, the agency cited section 3(a) of the GAO Reform Act as providing the Comptroller General with broad discretion to determine if an employee should receive an adjustment. GAO maintained that as long as the six factors were considered, the Comptroller General was authorized to determine the appropriate annual adjustments, including the option of providing no adjustment to all or certain employees. GAO also noted that the "flexibilities" under section 3(a) permitted the Comptroller General to establish the criteria for determining whether Band IIB and Band III employees who were at or above the speed bumps would receive a pay adjustment.

If a court was asked to determine whether GAO's actions were permissible, it would likely apply a two-part test that is used to evaluate an agency's interpretation of its statute.[2] First, a court would consider whether Congress has spoken directly to the precise question at issue. If the intent of Congress is clear, the court "must give effect to the unambiguously expressed intent of Congress," and that is the end of the matter.[3] If, however, Congress has failed to directly address the question at issue, and the statute is silent or ambiguous, the court will attempt to determine if the agency's actions are based on a permissible construction of the statute. If the agency's interpretation is reasonable, the court may not substitute its own construction of the statutory provision. However, deference is not owed to the agency's actions if they construe a statute in a way that is contrary to congressional intent or frustrates congressional policy.

In applying the first part of the two-part test, a reviewing court would likely begin by examining the language of the applicable statute.[4] Section 3(a) indicates that so long as an officer or employee is performing at a satisfactory level, his basic pay rate "shall be adjusted annually to such extent as determined by the Comptroller General." The terms "shall" and "adjust" are of particular note. General principles of statutory construction construe the term "shall" to be imperative or mandatory.[5] The use of the term "shall" in section 3(a), rather than the generally permissive "may," would seem to strongly suggest that some kind of adjustment is required by the section.

The term "adjust" is most commonly defined to mean "to bring to a more satisfactory state."[6] While this definition alone would seem to suggest that an adjustment provided under section 3(a) should be positive or involve some form of a rate increase, the association of the annual pay adjustments with satisfactory performance appears to confirm that the adjustments are not meant to involve a reduction in the basic rates of employees or have no effect on those rates when employees are performing satisfactorily. Section 3(a) indicates that "an adjustment . . . shall not be applied in the case of any officer or employee whose performance is not at a satisfactory level . . ." General principles of statutory construction dictate that each statutory part or section may not be considered in a vacuum, but must be

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[2] *See* Chevron U.S.A. v. NRDC, 467 U.S. 837 (1984).

[3] *Id.* at 843.

[4] *See* INS v. Phinpathya, 464 U.S. 183, 189 (1984) ("This Court has noted on numerous occasions that in all cases involving statutory construction, our starting point must be the language employed by Congress . . . and we assume that the legislative purpose is expressed by the ordinary meaning of the words used.") (internal quotation marks omitted).

[5] *See* 1A Sutherland Statutes and Statutory Construction, § 25:4 (Norman J. Singer ed., 2002) ("Unless the context otherwise indicates the use of the word 'shall' . . . indicates a mandatory intent.").

[6] Webster's Third New Int'l Dictionary 27 (1986).

interpreted in reference to the statute as a whole.[7] Thus, upon consideration of section 3(a) in its entirety, it seems unlikely that the basic pay rate of an officer or employee who is performing satisfactorily was intended to be adjusted downward or not at all. Under section 3(a), it appears that only employees whose performance is not at a satisfactory level will be ineligible for an adjustment. However, while section 3(a) appears to require some change in an officer or employee's basic pay rate to "a more satisfactory state" for performance at a satisfactory level, the section permits the Comptroller General to determine the extent or amount of the adjustment.

The legislative history of section 3(a) further illustrates Congress's understanding that a pay increase would be available so long as a GAO officer or employee was performing satisfactorily. In House Report 108-380, which accompanied the GAO Reform Act, minority members of the Committee on Government Reform stated: "Section 3 gives the Comptroller General discretion over annual pay raises for GAO employees. Mr. Walker has assured GAO employees that anyone performing satisfactory work will receive at least a cost of living adjustment."[8] Similarly, in Senate Report 108-216, which accompanied the Senate version of the GAO Reform Act, the Committee on Governmental Affairs noted: "The Committee also received a commitment from the Comptroller General that, absent extraordinary circumstances or serious budgetary constraints, employees or officers who perform at a satisfactory level will receive an annual base-pay adjustment designed to protect their purchasing power."[9]

The language of section 3(a) and the legislative history of the section, considered together, appear to generally support the position that a pay adjustment would be required for officers and employees who perform at a "satisfactory level." Section 3(a) does permit the Comptroller General to determine when performance is "satisfactory." In fact, the Comptroller General seems to have relied on this authority to establish the additional performance criteria for Band IIB and Band III employees. However, requiring these employees to meet specified percentage thresholds to be eligible for a pay adjustment is arguably questionable given the common understanding of the term "satisfactory" and the Comptroller General's previous statements.

The term "satisfactory" has been defined to mean "sufficient to meet a condition or obligation."[10] Based on this definition, an employee who performs at a "meets expectations" evaluation level would seem to be performing at a satisfactory level. According to various sources, a "meets expectations" rating was considered to be a good rating at the agency.

Moreover, the availability of a pay adjustment for performance at a "meets expectations" evaluation level was discussed by the Comptroller General at a hearing before the House Subcommittee on Civil Service and Agency Organization following the

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[7] *See* 2A Sutherland Statutes and Statutory Construction, *supra* note 5, § 46:05 (explaining that each part or section of a statute should be construed "in connection with every other part or section so as to produce a harmonious whole.").

[8] H.Rep. No. 108-380, at 23, *reprinted in* 2004 U.S.C.A.A.N. 744, 756.

[9] S. Rep. No. 108-216, at 9.

[10] Webster's Third New Int'l Dictionary 2017 (1986).

introduction of the GAO Reform Act in 2003.[11] The Comptroller General maintained that a pay adjustment would be available "as long as employees are performing at the meets expectation level or better."[12] While the Comptroller General did indicate that GAO would consider differences in compensation rates by locality, he confirmed that "any amount that otherwise wouldn't be across the board would be an increase in base pay; it wouldn't be a bonus or a one-time payment, it would be an increase in base pay."[13] According to the Comptroller General, only extraordinary economic conditions, such as serious budgetary constraints, would prevent the adjustments.

The statutory language of section 3(a) and the section's legislative history appear to illustrate clear congressional intent to have a pay adjustment in the form of an increase in basic pay rates for all officers and employees who perform at a satisfactory level. Because of the existence of such congressional intent, consideration of whether GAO's actions are based on a permissible construction of the statute is not needed.

Section 4 of the GAO Reform Act amended 31 U.S.C. § 732(c) to require the Comptroller General to prescribe regulations under which a GAO officer or employee would be entitled to pay retention. Pay retention shall be available if,

> as a result of any reduction-in-force or other workforce adjustment procedure, position reclassification, or other appropriate circumstances as determined by the Comptroller General, such officer or employee is placed in or holds a position in a lower grade or band with a maximum rate of basic pay that is less than the rate of basic pay payable to the officer or employee immediately before the reduction in grade or band.

Under 31 U.S.C. § 732(c)(5)(A), as amended, the regulations shall provide for the continued receipt of the basic rate before the reduction in grade or band until such time as the retained rate becomes less than the maximum rate for the grade or band of the position held by the officer or employee.

In GAO's 2006 report on the implementation of the GAO Reform Act, the agency maintained that during fiscal year 2006, 329 employees were covered by the pay retention requirements of section 4.[14] GAO noted that 250 of these employees were "above the pay range maximum for Band IIA."[15] If section 4 did apply, it would seem possible to assert that pay adjustments may not be available to a covered employee until his retained rate became "less than the maximum rate for the grade or band of the position held" by such employee.

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[11] *See GAO Human Capital Reform: Leading the Way*, 108th Cong., 1st Sess. 78 (2003) (statement of David M. Walker, Comptroller Gen., U.S. Gov't Accountability Off.).

[12] *Id.*

[13] *Id.*

[14] U.S. Gov't Accountability Off., 2006 Rept. On GAO's Use of Provisions in the GAO Personnel Flexibilities Act of 2000 and the GAO Human Capital Reform Act of 2004 (GAO-07-289SP) (2006), *available at* http://www.gao.gov/new.items/d07289sp.pdf.

[15] *Id.*

In subsequent information provided to CRS by GAO, the agency indicated that its identification of section 4 was misplaced.[16] The pay retention protections provided under section 4 are invoked only when an officer or employee is demoted to a position in a lower grade or band. GAO confirmed that none of the affected employees were reduced in grade or band. Without this kind of demotion, section 4 would seem to be inapplicable.

Mr. Chairmen, that concludes my prepared statement. I would be pleased to answer any questions that you or other Members of the Subcommittees may have relating to my areas of expertise.

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[16] *See* GAO Responses to CRS Questions, U.S. Gov't Accountability Off. (May 10, 2007) (on file with author).

Mr. DAVIS OF ILLINOIS. Thank you very much.
Ms. Weizmann.

STATEMENT OF JANE K. WEIZMANN

Ms. WEIZMANN. Thank you. Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to describe Watson Wyatt's 2004 work with GAO involving the design of market-based salary ranges.

By way of background, I am a senior consultant and the Practice Leader for Watson Wyatt's Washington, DC, area practice. Watson Wyatt's published surveys covered 3,800 different job titles, 131 industries and 24,000 zip codes. By order of magnitude, Watson Wyatt's survey participants cover 17.7 million employees or 1 of every 6 employees in the U.S. work force.

I have worked for Watson Wyatt since 1989 and have close to 25 years experience doing hands-on compensation design. Before joining Watson Wyatt, I worked as a compensation consultant for another national consulting firm, as a manager at the U.S. Department of Labor and as a compensation director for one of the largest employers in the city of Philadelphia.

Over the course of my career, I have led hundreds of compensation assignments. In 1999, I served as an expert to the House Subcommittee on Government Management, Information, and Technology on issues related to the salary of the President of the United States. In 2003, I was retained as an expert to the President's Commission on Postal Service Reform. I am a published author, recognized thought leader and frequent commentator on compensation and human capital related issues.

So what is market-sensitive compensation design? It is a systematic process for using external market data to establish pay ranges. Market-sensitive compensation designs are used by the majority of today's large national private sector organizations and are growing in use by the public sector.

Why? Attraction and retention of talent requires organizations to offer market-competitive wages.

There are three essential steps to building a credible market-sensitive design. First, in order to make market comparisons, it is essential to understand what people do and their qualifications.

The GAO group of employees covered by this study are economists, attorneys and analysts. Analysts have a Master's degree in public policy, public health, public affairs, business, accounting, economics. Washington, DC, is, in fact, the place where the majority of people with analyst job titles and qualifications work.

Second, based on what people do, it is essential to define the market. The market is where you compete for talent. Where do you hire from and when employees leave, where do they go?

For GAO, the market is other Washington, DC, area employers including government agencies, unique Washington, DC, not for profit organizations such as think tanks, trade associations, professional standards boards, industry groups and research organizations and private sector organizations such as government contractors, law firms, consulting firms and lobby groups.

Finally, you need robust, credible data covering the defined marketplace. Credible published data is found in surveys that are administered on a regular basis, query similar participant populations, employ an articulated data collection methodology and have rigorous data verification and quality standards.

Because Washington, DC, is home to one of if not the world's largest concentration of attorneys, economists and analysts, the region's published survey data is robust and credible.

For the 39 job titles covered in the review, the pay ranges link 98 percent of GAO employees to 18 different credible survey sources covering more than 200 survey matches, covering 90,366 Washington, DC, employees performing comparable jobs. Market matches were carefully reviewed and validated by GAO job content experts in 35 hours of hands-on review meetings. This means that GAO had an excellent basis for determining market competitive pay and building salary ranges.

In closing, Watson Wyatt is privileged to have worked with GAO on this assignment. Rarely have we worked with a more engaged, mission-driven group of employees.

Thank you. I would be happy to answer any questions you may have.

[The prepared statement of Ms. Weizmann follows:]

Written Testimony of Jane K. Weizmann
Senior Consultant, Watson Wyatt Worldwide

Prepared for:

The House Subcommittee on the Federal Workforce, Postal Service and the District of Columbia and the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

Hearing Entitled
"GAO Personnel Reform: Does it Meet Expectations?"

May 22, 2007

Good morning, my name is Jane Weizmann.

I would like to thank Chairman Akaka, Chairman Davis, Senator Voinovich, Congressman Marchant and the members of the committee for the opportunity to share information on Watson Wyatt's 2004 work with GAO involving the design of market based salary ranges for Analysts, Specialists and Attorneys, as well as Watson Wyatt's credentials and experience performing such assignments.

Watson Wyatt's Credentials and Experience

I am a Senior Compensation Consultant and the Practice Leader for Watson Wyatt's Washington, DC area practice. With roots tracing back to 1878, Watson Wyatt Worldwide (Watson Wyatt) is a leading provider of global human capital and financial management consulting services. Today, Watson Wyatt has more than $1.2 billion in revenue and approximately 6,000 associates in 30 countries.

As part of Watson Wyatt's Human Capital Group, our compensation consulting services are sought by leading private sector and governmental entities around the world. Our Human Capital Group helps clients implement strategies that achieve competitive advantage by aligning their workforce with their mission and operational strategy. This includes helping clients develop and implement designs and strategies for attracting, hiring, retaining and motivating their employees.

The Human Capital Group utilizes our Watson Wyatt Data Services (WWDS) practice, to provide data, services and analyses regarding compensation and benefits around the world. WWDS maintains several of the world's largest databases covering employee pay and pay practices. Our published surveys are used by commercial, federal, public sector, educational and not-for-profit organizations and cover 3,800 different job titles, 131 industries and sectors and 24,000 zip codes. By order of magnitude, Watson Wyatt survey participants cover 17.7 million employees – or one of every six employees in the US workforce.

I joined Watson Wyatt in 1989. Before joining Watson Wyatt, I worked as a compensation consultant for another national consulting firm, a manager at the U.S. Department of Labor, and a compensation director for one of the largest employers in the City of Philadelphia.

Over the course of my career, I have led hundreds of compensation assignments. In 1999, I served as expert resource to the House Subcommittee on Government Management, Information and Technology on issues related to the salary of the President of the United States and provided testimony and background research. In 2003, I was retained as an expert consultant to provide research, recommendations and testimony to the President's Commission on Postal Service Reform on topics related to performance based compensation.

During the past few years, in addition to the GAO assignment, the Washington, DC consulting team has provided compensation consulting services to numerous federal government agencies, state and municipal government entities as well as private sector organizations.

The 2004 Market Study of GAO Analyst, Specialist and Attorney Jobs

Why do the majority of today's large, national private and public sector organizations use market sensitive pay designs?.[1] The prevalence of market sensitive designs can be attributed to the abundance of credible pay and job vacancy information—which is available to employees through websites such as Salary.com, USA jobs and Monster, to name a few. In today's world, private and public sector employers are keenly aware that differences exist in pay based on job functions and are consequently adopting market-based pay designs to attract, hire, motivate and retain talented employees who match the organization's workforce needs.

With this as context, GAO sought consulting assistance to help it incorporate best practices and processes[2] as it moved to a market-sensitive pay design.

Specifically, On July 23, 2004 GAO contracted Watson Wyatt to:

- Recommend an approach based on published compensation data to align GAO's pay rates with pay rates that are competitive with comparator organizations
- Develop and recommend market sensitive base pay compensation ranges
- Develop a process to maintain competitiveness of the compensation ranges over time

Throughout the process, Watson Wyatt facilitated the involvement of GAO employees including job content and work deployment subject matter experts (e.g., Career Stream Focal Points and Employee Advisory Committee (EAC) members). The Watson Wyatt team also participated in numerous briefings to the Executive Committee, Executive Advisory Committee and employees.

Over a period of about five months, the consulting team worked with GAO Executives and the internal GAO groups referred to above on:

1. Setting design objectives and pay philosophy including defining the "competitive market place"
2. Assembling up-to-date job documentation and information about how work is organized and deployed

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[1] OPM estimates that more than half of the 1.8 million employees in the executive branch of federal government work in agencies that have implemented "market sensitive" designs.

[2] There are professional organizations such as WorldatWork who contribute to and codify the body of knowledge for compensation. WorldatWork is the world's leading not-for-profit professional association dedicated to knowledge leadership in total rewards, compensation, benefits, and work-life. WorldatWork focuses on human resources disciplines associated with attracting, motivating and retaining employees. Besides serving as the membership association of the professions, the WorldatWork family of organizations provides education, certification, publications, knowledge resources, surveys, conferences, research and networking.

3. Identifying credible compensation survey data from Watson Wyatt and other leading Human Resources consulting and survey firms
4. Matching jobs to at least two compensation survey sources
5. Validating job matches with GAO subject matter experts
6. Compiling and analyzing data from validated job matches to create pay ranges around the median of the marketplace
7. Creating pay bands that support career patterns, work organization and deployment

Following is a brief, chronological description of the key work steps, milestones and outcomes. In addition to facilitating an inclusive and collaborative design process with GAO, Watson Wyatt's work incorporated use of a robust database of credible market information and a sound, replicable design methodology based on best practices.

August 9-25, 2004. To set its pay philosophy, GAO identified the competitive marketplace as an equal blending of other government agencies, not for profit organizations, for profit organizations and general industry. This decision was based on insights from 34 GAO leaders (Career Stream Focal Points) and employees (members of the Employee Advisory Council) on job content, work organization, recruitment sources, and future organizational plans. Additionally, GAO assembled and considered available exit survey, turnover and job offer declination data.

September 1, 2004 – October 24, 2004. Based on up-to-date, GAO job descriptions[3] and input provided by the GAO leaders and employees referenced above, Watson Wyatt matched career stream benchmark jobs to position descriptions identified in credible market survey sources. Watson Wyatt presented initial survey matches to the referenced GAO leaders and employees and the Executive Committee for review and validation. Based on the feedback, additions and deletions were made to the matches and the market-matching database was finalized. At this point, the database of published market data included 18 survey sources, over 200 survey matches, submitted from more than a 1,000 comparator organizations, covering more than 19,000 employees performing comparable jobs.

Before closing the database for modeling design options, GAO's Executive Committee wanted to be sure they had accurately captured the government, law firm and public accounting marketplace. In particular, GAO sought to accurately capture pay changes that were being driven by the increased market demand for analyst and attorney skills. Because custom data collection was outside the scope of the contract between GAO and Watson Wyatt, GAO collected relevant pay information from specific competitors and provided the data to Watson Wyatt to use in conjunction with published survey sources.

October 18, 2004. Watson Wyatt met with the Executive Committee of GAO to finalize benchmark data and survey matches. The data presented covered 98% of the Analyst, Specialist and Attorney population. (2507 GAO employees in 34 career stream jobs were matched to market comparators employing more than 19,366 Washington, DC area

[3] GAO provided job descriptions for all 12 career series, totaling 36 descriptions.

employees in comparable jobs.)[4]

October 19 – October 28, 2004. As a next step, Watson Wyatt created two pay range design options for GAO's consideration. Each option was based on a "blended market" of equally weighted for profit, not for profit, general industry and government market median data. The options also included competitive pay ranges for each pay band – or level of work.

Multiple, market based ranges based on market median values were also created to fit inside each pay band in order to achieve GAO's objective of establishing reasonable and competitive pay ranges for jobs.[5] Specifically, prior to the study, GAO Band II Analysts were in a single pay range. However, based on feedback from the referenced GAO leadership and employee groups, and given the existence of relevant market data, two ranges were developed for Band II Analysts (one for Senior Analysts (Band IIA) and one for Lead Analysts (Band IIB). Because the lead level represented a new position, no employees were in the position at the time of the study. (It should be noted that as part of implementing the market based pay ranges in 2005, GAO determined which employees would be moved to the newly created Lead Analyst position based on their assessment of past performance and roles and responsibilities.)

October 29, 2004. Watson Wyatt presented the pay range options to the Executive Committee for consideration. The Executive Committee selected an option and instructed Watson Wyatt to finalize its work.

November 8, 2004. Watson Wyatt submitted its final report and impact analysis to the Executive Committee including recommended pay ranges for Analysts, Specialists and Attorneys calibrated for each of GAO's geographic locations. The ranges were based on 2004 market survey information and, following standard business practices, aged to January 1, 2005 using a four percent aging factor. Jobs were placed into each pay band based on each job's market median – putting the job in the pay range where the median was closest to the competitive rate for the pay range.

Conclusion

GAO's market sensitive designs are based on a robust, credible and validated database of market information and are supported by methodology that is replicable and transparent. Following best practices, the design options were developed through the inclusive, hands-on participation of GAO executives, managers and employees who identified the competitive marketplace, confirmed job duties and validated market data matches. Throughout the design process, employees were provided with updates, status briefings and design information. Watson Wyatt is privileged to have worked with GAO on this assignment.

[4] Normatively, organizations are able to link between 50-70% of their population. GAO was able to link 98% of their population to comparator market data

[5] The only difference between the two options presented was the number of pay ranges in Band I.

Mr. DAVIS OF ILLINOIS. Thank you very much.
We will move to Dr. Fay.

STATEMENT OF CHARLES H. FAY

Mr. FAY. Thank you, Mr. Chairman.

My name is Charles Fay. I am here to discuss issues related to market pricing and, in particular, the market pricing of analyst jobs in the Government Accountability Office. My written testimony goes into great detail on these issues. In my oral testimony, I would like to focus on the primary results of these analyses.

Ordinarily, when a market pricing process indicates some significant number of incumbents are overpaid, most compensation professionals pause and look for explanations of that overpayment before assuming the process and the resulting data were correct. That is particularly true in the case of general schedule employees and even more true of upper level general schedule employee jobs since data has suggested for some time and labor economists have had lots of arguments about the degree to which general schedule jobs, government jobs in general, are overpaid or underpaid. The general agreement from all those studies is that upper level general schedule jobs are routinely underpaid against the market.

This process of evaluation appears not to have happened at GAO, yet the problems that I see in this study are significant. This is particularly true, given that I had lots of haystacks and had to find a few needles in it.

First of all, there is a disconnect between the rhetoric of GAO being the home of the best and brightest and the competitive compensation strategy, that is, you would expect GAO, as the best and hiring the best, to want to pay more than market and yet they chose to pay at market, at the market median.

Second, few employees other than executives appear to have been involved in the study. This could result in poor job matches and lack of buy-in from employees whose pay was impacted by the study.

Three, off the shelf surveys were used that are unlikely to capture appropriate market data. A custom survey would have provided a better basis for benchmarking these jobs.

Fourth, the data from the surveys used is problematic. Too much of the data comes from too few organizations. The range of data for each job is very broad, and the data are not stable from 1 year to the next.

Fifth, Watson Wyatt used inconsistent data cuts in developing benchmark medians.

Sixth, the process used by Watson Wyatt to blend data is at odds with the process that they claim to have used.

Seven, the pay ranges developed within bands are problematic both because of the data input and because of the clustering grouping technique.

Eight, documentation of the study process and the resulting pay structure are ambiguous and confusing. Employees should understand how their pay structure was established, and nothing that I have seen would be likely to lead to that.

Compensation is an art and not a science. That does not mean that it is or should be free of any standards. GAO is noted for the quality of its analyses. It is unfortunate the same care was not taken with the analysis of its own pay system.

Mr. Chairman, I would be happy to answer any questions that you or other members of the subcommittees may have.

[The prepared statement of Mr. Fay follows:]

Testimony of Charles H. Fay
GAO Personnel Reform: Does it Meet Expectations
House Subcommittee on th Federal Workforce, Postal Service, and the District of Columbia
Senate Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia
Tuesday, May 22, 2007

Witness Background

I am Charles Fay. I am professor of human resource management and Chair of the Human Resource Management Department at the Rutgers University School of Management and Labor Relations, where I have specialized in the fields of compensation and performance management. These areas draw on the pure disciplines of economics, psychology, business strategy and human resource management, and courses covering both topics are offered in most business schools and all schools focusing on management and labor relations.

I have taught undergraduate, masters' level and doctoral classes in compensation and performance management since 1979. Most of my research since 1979 has focused on compensation (particularly performance driven pay) and the results have been published in a variety of scholarly and professional journals. One area of compensation that is my specialty is incentive pay, which is the intersection of performance management and compensation. I co-authored a leading text in compensation, titled *Compensation: Theory and Practice*, which has been widely used by colleges and universities as well as human resource managers in business and government. I have co-edited, and written major chapters for *The Executive Handbook on Compensation* and *New Strategies for Public Pay*. I have chaired the Research Committee of the American Compensation Association (now WorldatWork), and served as a member of that organization's Certification Program, where I taught several courses on compensation, HRIS and performance management. I was a member of the first Federal Salary Council and chaired the technical working group of the Council. I have also served as a consultant to the Bureau of Labor Statistics on several projects concerning the National Compensation Survey.

I have also served as a consultant to private and public sector organizations on the creation, evaluation and revision of compensation programs and in that capacity have conducted and critiqued job evaluation processes and labor market surveys. I have also consulted on the creation, implementation and evaluation of performance management systems for private and public sector organizations.

Introduction and Outlin of Te timony

I have been asked to testify on "the use of external market data to establish pay ranges in the federal government, and, specifically, the 2004 market based compensation study conducted by the Watson Wyatt consulting firm for the U.S. Government Accountability Office." Before speaking to those two specific issues I think it will be helpful to provide context in terms of three related areas. The first of these areas is an overview of some common misunderstandings about compensation practice that may lead to a misplaced confidence in the results of any compensation study and its results. The second area is a discussion of the shortcomings of most compensation and benefit surveys, and particularly those conducted by most consulting firms. The third area, based on a research project I am doing for WorldatWork (the leading professional association in the area of compensation and benefits), is a discussion of market pricing practices in the private sector, and the difficulties perceived by compensation professionals who do this work on a daily basis.

Having completed that, I will then speak to the market pricing of the General Schedule conducted by OPM for the Federal Salary Council, which is based on Bureau of Labor Statistics data collected for that purpose. (Market pricing of federal government jobs is nothing new; both the General Schedule and the Federal Wage System have used variations of market pricing techniques for many years.) Then, I will provide my opinion of the market pricing study done for GAO, and how the market data were used by GAO in setting wages. I will close with a short summation.

Common Misunderstandings about Compensation

People who do not work in the area of compensation (and even many who do) share some common misunderstandings about compensation that lead to belief in the results of specific practices that are unwarranted. Correcting these misunderstandings allows for much better judgments about compensation practices and outcomes.

> **Misunderstanding One**: Compensation is a science. Because compensation uses the language of numbers, many people assume it to be a science. In fact, compensation is an art. In the modern corporation compensation is driven by organizational strategy, and innumerable judgment calls are made on practices and outcomes to arrive at a rewards system that is aligned with strategy. When practices produce some outcomes that are undesirable, those outcomes are changed to those thought to be desirable. For example, any job evaluation system provides results that are at odds with market data and those results may be set aside in favor of the market data. Conversely, when surveys report wage

levels for jobs that clash with the importance of the job to the organization, the survey data may be ignored.

Misunderstanding Two: Every job has an inherent value that is knowable with the right evaluation and survey tools. In fact, one of the difficulties faced by labor economists and compensation scholars is determining what makes any job valuable. A large body of empirical work has tried to tease out the source of wage differentials and any number of theories have been developed to explain job value. While many of these theories provide insights into job value (e.g., human capital theory, time span of discretion, marginal revenue product, tournament theory) none provide a comprehensive view of what lends value to jobs, and neither the empirical work on wage differentials nor the range of compensation theory can tell us what to pay for any specific job.

Indeed, the whole notion of market pricing relies on assuming that other organizations know more about job value than we do, so if we find out what they pay and pay about the same, we'll have captured the value of the job by that process. Market pricing may allow us to be competitive in some segment of the labor market but does not mean we have any real idea of the value of the jobs we have market priced.

Misunderstanding Three: A job's value in one organization is equivalent to its value in another organization. Market pricing that benchmarks all jobs at the same percentile (e.g., median, 65th percentile, 70th percentile) of the market relies on this misunderstanding. Every organization has some jobs that provide competitive advantage to it and others that, while necessary, do not provide any particular advantage. Organizations with more sophisticated rewards strategies price the "A" jobs high in market, and pay lower in the market for other jobs. Executives frequently exercise judgment to overpay certain job categories in the belief that those jobs are critical to the success of the organization.

Misunderstanding Four: One compensation consulting firm is better than another; if you only choose the correct consulting firm your project is assured of success. In fact, all the major consulting firms (and many of the smaller ones) can provide excellent service. The correct unit of analysis is the consultant, not the firm. As I noted above, compensation is an art, and some consultants are better artists than others. Similarly, some organizations know how to make use of consultants and consulting products better than others. Even the best consultant can have the hiring organization provide inaccurate or incomplete information in the course of the study and misuse his/her study results.

Compensation and Benefits Surveys[1]

While most seasoned compensation professionals often take survey results with a grain of salt, they frequently have no other data on which to base compensation decisions. I will speak to misgivings of compensation professionals about surveys and survey results in the next section of this testimony. In this section I will note the weaknesses shared by most compensation and benefits surveys. The use of survey data by organizations can also create poor results; I will speak to these issues in this section, too.

Survey problems.
Anyone developing a wage or benefit survey has to decide the job(s) for which data will be collected, and the appropriate market from which data will be collected. Even broad national surveys conducted by the major consulting firms face this problem, since one of their services to clients is providing different survey "cuts," which focus on specific labor or product markets, or even a selected list of organizations.

1. Job definition. The first problem arising from this decision is how the job will be defined on the survey. Job title alone would clearly be insufficient, since very different jobs might have the same title in different organizations. A detailed job description listing all tasks and outcomes associated with the job, the job specifications (knowledge, skills and abilities), and job criticality to the organization would assure a perfect job match, but such details are rarely used because the survey would be too cumbersome to respondents and minor differences would rule out a match. Some surveys with more detailed job descriptions have tried to get around the minor differences problem by allowing respondents to note the job for which they are entering data is a "smaller" or "larger" job than the survey job. However, most surveys provide only a short job description. Sometimes the job description is modified by a job family level definition.

   An example of this is one of the surveys used by Watson Wyatt in their GAO study that is produced by WTPF.[2] The 2007 version of this survey form (2007 Compensation Survey Guide), on the WTPF web site,[3] provides the following job description of the match used for Analyst (PE-347) in Bands I, II and III:

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[1] Much of the argument in this section is based on Rynes, S. L. and Milkovich, G. T. (1986) "Wage Surveys: Dispelling Some Myths About the "Market Wage" **Personnel Psychology** (39) 71-90. While this article was written in the context of comparable worth and other wage discrimination issues, their points about the difficulties associated with salary determination based on wage surveys are relevant to the current issues with the surveys used in the Government Accountability Office study.
[2] Letter from Gary L. Kepplinger, General Counsel, GAO to The Honorable Danny K. Davis, dated March 30, 2007, pp. 4-5.
[3] http://209.200.109.246/home/documents/07WTPFGuidewithcoverfinal.pdf, accessed 13 May 2007.

"OPOR – Operations Research/Analysis: Conducts analytical studies of military, commercial or civil operations. Projects and/or programs may involve engineering, scientific, information systems, logistics, administrative, or strategic planning expertise, and lead to recommendations to improve operational effectiveness in the client organization." (p.15)

The analysts in Bands I, II and III are differentiated by a "Career Level" marker. Thus, the Band I analyst is a P2, or Intermediate Professional level, defined as "Exhibits technical and operational proficiency in the primary duties of the job family. Plays a key role in implementing projects and programs in the function. Acts as a resource to managers and employees in the organization. Typically requires: Bachelor's; 2 – 4 years of related professional experience."

The Band II analyst is matched at a P4, or Career Level. I have not included the definition because the 2007 Compensation Survey Guide lists "P4" as "Advanced Professional" and "P3" as "Career Level Professional." It is possible that the career levels have changed since the 2004 survey or that the General Counsel's letter contains a typographical error. It may also be that data from both levels were blended.

The Band III analyst appears to be a blend, since it is listed in the General Counsel's letter both as an "Advanced Level Professional (P4)" and as a "2nd Level Manager (M2)."

Under any circumstance, the generic sort of description, while better than a job title, may not provide sufficient detail to assure that all the jobs entered under that category are a good match.

2. Market definition. A second major difficulty facing a survey manager is the market from which to collect data. Most national surveys try to collect data from a sufficient number of organizations so that a variety of geographic, industry, size and other cuts can be provided to a client. In this case it appears that Watson Wyatt got data covering non-profit and other research firms in the Washington DC area.

   One of the rationales for collecting data in a specific market (whether geographic or industry) is that this is the market from which the organization attracts labor and to which they lose labor. Yet, organizations have some choices as the markets in which they will compete. They choose where to recruit labor and they choose those employees who are leaving who will receive a counteroffer. That is, organizations are not merely passive players in labor markets.

3. Sampling the Market. The largest threat to the validity and usefulness of compensation data from surveys is the lack of sampling sophistication in the large commercial survey firms. In most cases the surveys rely on what is called a "convenience" sample – a list of current and former clients and purchasers of surveys. Purchased mailing lists are also used to find respondents. I receive invitations to participate in salary surveys from several major consulting firms, and the name and address on the mailing label is usually the same as that on materials I receive from one or more of the professional human resource management organizations to which I belong.

   In some cases surveys are aimed at a specific group of organizations specified by the organization for which the survey is done, so that sampling is not an issue. Even in this case, the organization may not have specified the respondents in a way that meets its data needs.

   As a result, when multiple surveys are compared, results may be very different. Differences may be attributable to differences in job descriptions or the different set of respondents providing data for each survey. An additional source of differences is the different data editing rules used by different survey organizations and the different estimating techniques that may be used. Some survey organizations, for example, drop outliers from their calculations, while others contact respondents and check for accuracy, dropping those that aren't supported.

   Only the Bureau of Labor Statistics uses rigorous sampling methodology in its wage surveys. They are also the only wage survey organization that uses rigorous statistical methodology to evaluate survey data, and they do not publish data that do not meet their criteria.

4. Differences in Data Collected. While all wage surveys collect data on base salaries, there are differences in which other parts of the rewards package are included in the survey. Rewards include not only base salaries but also short term incentives, long term incentives, recognition awards, perquisites, benefits, work/family accommodations and other things of value to employees. Labor economists have long argued that employers seek a reasonable level of labor costs, and then allocate labor costs across various parts of the reward system. For example, an employer with high cost levels of benefits would pay less in wages than would another similarly situated employer with lower cost levels of benefits.

   Most surveys include questions on the cash value of short term incentives so that a "total cash compensation" figure is provided. Without more inclusive data on the value of other parts of the rewards package surveys do not provide data that allows the user to make a meaningful comparison with benchmark organizations.

Other data collected (or not) makes it easier (more difficult) to compare the results of two surveys. Labor economists have done extensive work on sources of wage differentials. I have provided a list of these (Appendix A). I know of no survey that provides all these data (especially on job and individual differences), but without them survey users have less assurance of the comparability of benchmarks.

5. Impact of Discounts to Survey Participants. Most commercial surveys have two prices: the normal price and a discounted price for survey participants. Watson Wyatt, for example, lists charges of $1200 to a non-participant for its survey of human resource personnel compensation, but only $500 to a participant. If discounts are driving participation, they do not necessarily drive conscientious participation.

6. User Problems. Even with the best surveys available, a user wanting to benchmark a specific job has significant choices to make that call into question the accuracy of the results:
    - How many different surveys are needed to make a match?
    - How does the user reconcile differences between the different wage levels reported by different surveys for the same job?
    - How does the user adjust for different job level breakouts? If one survey has research associate levels one through six, a second has levels one through three, and the user has levels one through four, how can adjustments be made to assure equivalence?
    - What impact do relatively small differences in job descriptions have on wage data, and what adjustments might be made to data to account for these differences?
    - What adjustments should be made if the job in the user's organization is critical to the success of that organization but might not be to those of many survey respondents?
    - What can be done if a satisfactory survey match can't be found?
    - What can be done if the user organization's job is a "hybrid" of two or more jobs for which wage survey data are readily available?
    - What should be matched? Choices include base pay, total cash compensation, total rewards (including long term incentives and benefits).

At this point a reader may wonder whether there is any value to wage and benefit surveys at all. It is my contention that they are much better than no data at all, but that compensation professionals have to be careful to understand survey data shortcomings and that the collection and use of wage data is an art rather than a science. Most importantly, the process of collecting and using wage data has so many points at which judgment is used that certainty of the goodness of results is rarely warranted, especially at the individual job level.

Market Pricing in the Private Sector
In the private sector market pricing of individual jobs and entire pay structures is common. Some organizations conduct some sort of job evaluation to create an "internal value hierarchy" of jobs. Jobs within a given spread of job evaluation points are assigned to the same salary grade. This set of grades forms the basis of a salary structure, which is then priced using market data for as many of the jobs in the structure as can be obtained. Market data is used to develop a midpoint for each salary grade, and minimum and maximum salaries for the grade are calculated. Jobs for which data can not be obtained are paid the same rate as other jobs in the same salary grade.

Other large organizations rely entirely on market data for their pay systems. In these organizations jobs are paid their market rate. Statistical models are developed to estimate market rates where none exist. The most common statistical method used is regression. Job attributes (e.g., experience required, education required,) are collected for each job and market rates are regressed on this set of attributes. In some cases the attributes come from job descriptions and specifications; in other cases they are drawn from the employee data in the human resource information system of the organization. The estimated market rate becomes the pay base for these jobs.

Although private sector organizations rely much more heavily on market pricing than do public sector organizations, this does not mean that private sector organizations are necessarily satisfied with the results or do not have problems with the processes used to develop and use market rates. The results of stage one of a research project on market pricing I have conducted for WorldatWork[4] speaks to the concems private sector professionals have about market pricing, and forms the basis for the following discussion. Three areas are considered: how organizations strategy should affect market pricing processes and outcomes, the value of various market pricing sources, and the analysis of data from surveys to determine the appropriate rate for a job.

Compensation Strategy and Market Rates. An organization's compensation strategy typically reflects its business strategy. It provides the guideline for various compensation decisions, including how to balance market pricing data and internal equity.

The most frequently raised issue was how to decide whether internal or external equity should take precedence. Many respondents would like guidelines helping them determine what a market pricing policy should look like, and a means of resolving conflicts between market rate and job evaluation (or other) indicators of job value.

A second critical issue for many respondents is determining which market should be priced against. There seems to be widespread recognition of the existence of

[4] Fay, C.H. and Tare, M. (2007) Market Pricing Concerns. WorldatWork Journal, 16(2), 61-69.

different definitions of markets (e.g., geographic breakouts, from local to global, product market competitor or industry breakouts, size breakouts) but much concern about when each might be used. One respondent noted that while the "textbook" answer was available it didn't seem to match the reality reflected in discussions with colleagues and other professionals.

The third compensation strategy issue raised by respondents is the desire for guidelines on how competitive to be in a variety of different situations, and what a competitiveness strategy that delineated these situations would look like. Different breakout groups (e.g., hot jobs, critical jobs, typical jobs, executive jobs) were the focus of different respondents, but the common thread running through comments in this area is how one should best determine the competitive level of rewards for a set of jobs.

The fourth issue raised with some frequency focuses on whether competitiveness in a labor market should be based solely on wages, or whether a broader rewards (total cash compensation, total compensation, compensation plus work/life balance, etc.) measure should be used. There appears an unsatisfied need for strategy guidelines on individual and joint reward segment competitiveness.

There is clear recognition that the proper use of market data is a critical issue for organizations that are trying to stay competitive in attracting and retaining human capital while staying competitive in product and service markets. Most respondents note that no "one best strategy" exists while at the same time there is a perceived need for best practices in market pricing strategies taking into account industry, organizational and business strategy characteristics.

Market Pricing Sources. Compensation professionals typically obtain market pricing data from several sources, e.g., standard and custom surveys done by consultants, industry association surveys and formal surveys they have done themselves. While the federal government conducts the largest survey (BLS' National Compensation Survey), few of the respondents mention it. Respondents have to make decisions on a variety of source issues: the number of surveys to use, type of surveys (commercial or non-commercial, standard or custom), selection of an appropriate survey and number of data points to be used for benchmarking a job. Market pricing sources elicited the largest set of concerns from respondents.

The reliability, quality and breadth of data from market pricing surveys are all major areas of concern for compensation professionals. Added to this is the perception that survey costs are very high. There are concerns that as organizations are participating in fewer surveys, the number of useful surveys is smaller and the quality of data is dropping. Since the survey costs are high, some organizations may participate only to get a lower price for the survey but not put in the effort to provide quality data for the survey.

Respondents feel that although there are many surveys available, most are general rather than industry-specific and finding one that covers some industries is difficult. Getting two comparable data sources is hard when there are different industry participant groups for each survey. Most respondents raised issues of the number of organizations/positions required before wage data for a specific job would be useful. There is considerable desire for guidelines on this point. Similarly, many respondents expressed a desire for guidelines on the number of surveys that should be sought for each market-priced job.

There is concern whether an informal telephone survey will provide valid data not available in a more formal survey. On a related issue there is concern that few surveys have made an attempt to incorporate "team" and "hybrid" jobs. In part this is inevitable as the nature of work changes. Different organizations have reconstructed work in different ways so there are many variants on any team or hybrid job, even though the original jobs from which these new jobs were reconstructed are similar across organizations. It is unfortunate that survey organizations have not yet developed techniques to capture the value of job parts that can then be combined.

Even when matching jobs are found, respondents are concerned that the brief job descriptions provided make job matches problematic. Scope data are not always provided and are rarely sufficient for most respondents to feel certain of their matches. This experience leads several respondents to question whether wage survey participants can make valid matches when responding to surveys. Uncertainty at both ends of the survey process has led some survey participants to question the value of any data from some surveys.

Respondents strongly feel the need for industry standards for survey companies. This is because the methodology, reporting procedures and data of survey companies vary considerably. In such a scenario, it is difficult for respondents to accept inconsistent data. There is a perception that survey samples may not truly reflect the marketplace, as the participant lists seem skewed in many surveys. The reliability of data is also questioned, when data fluctuate considerably from year to year for the same survey. Consulting firms providing wage surveys were perceived to make a better effort to scrub and validate data than trade and professional associations.

Comparing jobs is difficult, as some benchmarks are based on incumbents and others on positions being offered. This is a problem with hot jobs especially. Moreover, data for hot jobs doesn't reflect what companies must offer to get a candidate interested. Jobs that seem similar (e.g. marketing and sales), are hard to compare, as they vary from industry to industry and even across companies within the same industry.

Data on rewards components (base, variable, and total compensation and job levels) is perceived to be inadequate for matching purposes. Respondents would like more information on variable pay programs; including both actual and target data. Short term incentive programs and their interaction with wages and benefits is of particular concern to respondents.

Many respondents did not stop with simply complaining about survey vendors, and provided input as to how some of the problems noted could be lessened, if not solved. Respondents feel that to begin with, companies should actively participate with vendors (consultants or industry association) to assure that better data comes out of the survey. Another way of ensuring this is that survey companies should make an effort to reach the right person, not just the right sounding title, while collecting data. Organizations who want survey data have an obligation to take part in surveys, and use the resources to provide the most accurate and complete data they can. Some respondents note they pay the most attention to surveys that have active participant groups.

More comments were made on survey sources than any other area. Respondents are suspicious of the goodness of survey results and indicate many vendors do not provide value for money, given the perceived flaws in survey results.

Analysis of Survey Data. Comments on analyzing survey data parallel concerns about market pricing sources. Some of the issues respondents raised concerning survey data analysis include which survey data can be trusted, how many matches can be made, how close must the survey job description be to the organizational job description for it to be considered a match, how to account for differences in job levels, how to price hybrid and cross-functional jobs, and how to deal with outlier jobs.

Respondents note the difficulty of judging the reliability of data from small sample surveys. Making geographic adjustments and adjusting rates for jobs that have specialized requirements (e.g., heavy travel and bad working conditions), is a challenge.

Determining what characteristics make for a strong or weak match is difficult. So is adjusting rates for a combination of strong and weak matches. When survey data are available by job level (e.g., 3 job levels), it is difficult to reconcile this to a greater (e.g., 5 level job) level job in the organization.

Cross-functional jobs and those having rapidly evolving roles present special problems when the analyst must blend data for two or more survey jobs to estimate the value of an organizational job. Determining the criteria to be used for weighting and the actual weights to be used present a challenge.

Even when incentive, benefit and/or option awards data are available in the survey, determining equivalency and balancing trade-offs is not easy. Several respondents noted that the lack of starting salaries in many surveys makes it difficult to determine what starting salaries should be offered, especially for hot jobs where new entrants to the field may make more than survey means or medians. The format of many surveys is such that some analyses are not possible, even when the data are delivered electronically. Respondents recognize that confidentiality issues place limitations on what data can be delivered to survey purchasers, but would like more freedom in analysis.

Respondents noted several approaches to deal with inconsistent and insufficient survey data. Some respondents document the job pricing process, so that it is consistent from year to year and across analysts. They also document any adjustments made to survey data and have set percentage limits on how much data can be adjusted. Other respondents have developed differentials between peer company wage levels and the rest in survey where possible. This is used to estimate appropriate wage level for jobs where peer companies do not report.

Benchmarking sources and process are also evaluated by respondents. Some collect market data for multiple years and do five year trends for each survey for composite market rate. They analyze changes in survey participants, survey price rises, etc., to understand why market rates reported may have changed. They also often look at rates offered for jobs at 'Careerbuilder' and other websites as a check on benchmark rates developed internally.

It is clear that the concerns raised by compensation professionals mirror the concerns of many of the people questioning the results of the Watson Wyatt study done for GAO and GAO's use of survey data in pricing jobs.

Market Pricing in the Federal Government

The federal government has used market rates in setting wages for government employees for many years. Two systems cover most federal workers: the General Schedule and the Federal Wage System. Both systems use market data to price wage structures rather than individual jobs.

Until the Federal Employees Pay Comparability Act of 1990 (FEPCA) the General Schedule was priced using national pay rates for selected benchmark jobs. Recognizing geographic differentials, FEPCA mandated the use of survey data from major labor markets to price the GS differently in each of those markets to achieve "locality pay" comparability. Currently there are thirty one pay localities plus "Rest of US" to make a total of 32 different possible General Schedules. Benchmark jobs are no longer used; instead data from the National Compensation Survey (conducted by BLS) is weighted by GS employment in each area to provide comparable pay benchmarks for each locality.

The Federal Wage System (FWS) covers appropriated fund and nonappropriated fund blue collar workers who are paid by the hour in 131 appropriated fund areas and 125 non-appropriated fund local wage areas. Each local wage area consists of one or more survey counties and one or more "areas of application" counties. Survey data from the survey counties are used to price wage structures in the area of application counties. Again, the wage structure is priced rather than individual jobs.

Pricing the structure means that differentials between different federal pay grades (whether GS of FWS) will remain constant across areas even though that may not mirror the relationship of different jobs in different areas. (Survey data show that it is not unusual for job "A" to be priced much higher than job "B" in one area while just the opposite is the case in another area.)

The kind of market pricing done with respect to the GS structure and the FWS structure can not be compared to the market pricing study done by Watson Wyatt and the application of the data developed in that study by GAO. In both cases the structure is priced rather than individual jobs. BLS uses impeccable methodology in gathering reliable and valid data to price the GS, and applies sophisticated statistical methods to evaluate survey data and to apply it to the GS for the Federal Salary Council. FWS methodology is methodologically less sophisticated than that used by BLS, but is done by government employees and employee union representatives, so that the results have a high level of acceptance by federal managers and employees.

Market Pricing and the General Accountability Office

The various materials I have received on which I base my discussion of the market pricing study done by Watson Wyatt for GAO include:

- Career Stream Published Survey Job Links and Position Descriptions. Dated September 1, 2004
- Executive Committee Briefing: Compensation Design Task 2. Dated October 18, 2004
- Executive Committee Briefing: Compensation Design Options. Task 2. Dated October 29, 2004
- Letter dated March 30, 2007 from Gary L. Kepplinger to The Honorable Danny K. Davis
- Letter dated April 3, 2007 from Gary L. Kepplinger to The Honorable Danny K. Davis
- Letter dated April 3, 2007 from David M. Walker to Daniel P. Mullholland (with enclosures)
- GAO Compensation Design. Presented by Watson Wyatt. April 12, 2007
- GAO Custom Data (undated)
- Watson Wyatt Contract and Related Costs (undated)

Miscellaneous data from web sites of Abbot Langer, Cardom Associates, prm Consulting, and WTPF. These organizations produced surveys used in the market pricing project.

I have also had conversations with Allan Hearne, of OPM, who studied additional materials concerning the surveys and the process used to set GAO pay bands.

I focus in this section only on the market pricing of the analyst jobs.

I will begin by noting that it is not entirely clear what Watson Wyatt and GAO did in their study and in the application of study results to GAO pay bands. It is possible that documentation exists that would explain in greater detail and with more clarity exactly what was done and how and why it was done. If that documentation does not exist, that constitutes an additional flaw in the study. Pay is one of the most visible links between an employee and an organization, and it is critical that each employee understand how his or her salary is determined. One of the hallmarks of the general schedule and the FWS is that every employee in those systems can understand how his or her pay was determined. It is certainly possible to do this in a market pricing system, and organizations who rely on market pricing, such as Johnson & Johnson and Motorola, almost always devote the necessary resources to make sure employees understand the system.

Problem One

My first concern with this market pricing project is the lack of a coherent competitive strategy. Excerpts from the GAO web page "Why work at GAO" include such phrases as "epicenter of government decision making," "our recommendations result in hundreds of actions-including landmark legislation-that lead to meaningful improvements in government operations and billions of dollars in direct financial benefits on behalf of the American people," "employees are at the front line of congressional oversight, and our work depends on their knowledge, analyses, and specialized skills," and "attract some of the brightest, most dedicated people in government."

The unique nature of the work performed by the Government Accountability Office, its scope and the level of impact on the nation, suggest that pay levels at GAO should be set to attract and retain the best employees with the requisite skills, abilities, and experience. Selecting a competitive pay strategy that only matches the market means that the pay system is benchmarked only against the typical worker, not the best and brightest. Most organizations who market price differentiate between critical and less critical jobs when developing a competitive pay strategy. More critical jobs might be benchmarked at anywhere from the 60th to the 75th percentile, rather than at the 50th percentile (median). I know of large corporations who have, at times, benchmarked some of their most critical jobs at the 90th percentile, to be certain that they attract and retain the "A" players for the "A" jobs.

Problem Two
My second concern is the lack of involvement of a wider variety of employees in defining GAO jobs and in determining whether the survey jobs chosen were good matches. The first rule of job matching is that subject matter experts be involved. It is possible that senior executives are sufficiently expert in the jobs that were being benchmarked that they could provide accurate data. However, work today is changing rapidly, and even though a senior executive may have been a job incumbent at one time it is unlikely they are expert in the evolved job.

Even if the senior executives do know the jobs sufficiently it is appropriate to involve incumbents in the process. Employee involvement helps assure buy-in for rewards system development and implementation. Most organizations who value their employees also value their employee's input into critical human resource processes such as rewards. If employees lose faith in the reward system the likely outcome is reduced effort, increased turnover, and employees seeking a required governance role through unionization drives.

Problem Three
Given the uniqueness of the jobs involved I was surprised that Watson Wyatt used off the shelf commercial surveys rather than developing a specific survey to cover the job set. Watson Wyatt and GAO would then have had much more control over the sample and could have assured that the organizations as well as the jobs were equivalent. The surveys employed in this market pricing project use convenience samples and the number of participating organizations is low enough that arguing that any one or combination of these surveys represents the "market" is a stretch.

Most of the surveyed organizations listed are much smaller than GAO and may have only one or two analysts. These analysts are likely to be fairly narrow in terms of the analyses they must do, whereas GAO analysts must undertake a much broader range of projects. Breadth and depth of knowledge required are likely to be greater among GAO analysts.

The work of GAO analysts is likely to be more critical than that of analysts in many non-profits: there is a lot of difference in an analysis done to support a particular point of view for an organization urging a policy decision and an impartial analysis done evaluating the strengths and weaknesses of programs or policy proposals.

Problem Four
The off the shelf commercial surveys used are not flawless. As an example, one of the surveys used to price the analyst job (Band 1) is produced by Cordom Associates. The two Cordom jobs used (out of a total of five jobs used to price the analyst job Band I) are #79, Public Policy Analyst and # 81, Research Associate. For #79, 19 companies report a total of 108 jobs. Fifty-one of these

jobs were in one company. The lowest salary reported for this job was $35,000 per year; the maximum was $125,000 (3.57 times as much). One would not expect to see such a range for a single job in a single labor market. For job #81, 21 companies report a total of 90 incumbents. Fifty-eight incumbents are in one company. (The companies having the largest number were not the same; the company with 51 incumbents in job #79 had only 1 incumbent in job #81.) The lowest salary reported for job #81 was $34,000 per year; the maximum was $106,621 (3.14 times as much).

The stability of survey data reported also calls the data's validity as an accurate benchmark into question. The weighted average of job #79 rose by 11.5% between 2003 and 2004 while the weighted average of job #81 dropped by 8.8%. If both of these jobs are representative of the analyst job one would expect similar changes from year to year. The difference in changes is either because the jobs are not both good matches for the GAO job or because volatility in survey participation masks true changes in wages from year to year. I expect both problems play a role.

Similar problems exist with Cordom's job #82, Research Fellow, which was one of five jobs used to price the analyst job Band II. Nine survey respondents provided job data on 40 incumbents. Two of the companies provided 26 (65%) of the 40 data points used. Salaries for job #82 ranged from $28,000 to $125,058 (4.47 times as much). The weighted average increased by 13.6% between 2003 and 2004.

Problem Five
Watson Wyatt's selection of cuts of survey data is hard to understand. WTPF's (Washington Technical Professional Forum 2004 Compensation Survey provides several cuts of data of its OPOR (Operations Research/Analysis) job at levels P2 (which is matched to analyst), P3 (which is matched to senior analyst) and P4 (which is matched to supervisory analyst). Three industry cuts are provided: Government Contractors, R&D, and Technical/Professional Services. It appears from working backwards from the results to the surveys that Watson Wyatt matched the analyst to the Government Contractors' cut, but matched the senior analyst and the supervisory analyst to the Technical/Professional Services cut. This inconsistency in application is not explained or documented in the materials I have seen.

Data from a PRM Consulting wage survey of research organizations was used to benchmark Band I, II, and III analysts. Unlike other surveys used in the Watson Wyatt study the PRM survey provides data on total cash compensation rather than base pay. It is not clear what impact this has on the market benchmark. The other anomaly in this data is that Watson Wyatt evidently used not only data for the Washington area but also data from New York and "Other." For example, the PRM survey job Social Policy Researcher III was used to benchmark the Band II analyst. To get to the 393 incumbents reported by Watson Wyatt it is necessary to add the 294 incumbents for Washington, the 27 incumbents listed for New York City, and the 72 "Other" incumbents.

Thus there is an inconsistent choice of benchmark cuts chosen by Watson Wyatt for at least three of the surveys used to benchmark the analyst series of jobs. There may be documentation of the rationale for these inconsistencies but I have not seen it. This sort of inconsistency casts doubt on the entire benchmarking process and its results.

Problem Six

In its presentation titled GAO Compensation Design (dated April 12, 2007) Watson Wyatt notes (page 17) that since "GAO competes for talent against general industry, including for profit, not for profit, federal government, and general industry," for "pay competitiveness assessment and design each market was weighted equally." Yet, the weights reported are not equal – for the analyst job five jobs from four surveys were used as benchmarks and the weights used in combining these were Abbott Langer Consultant weight 33%, PRM Social Policy II weight 11%, WTPF Operations Researcher P2 weight 33%, Cordom Not For Profit Research Associate 81 weight 11%, and Cordom Not For Profit Public Policy Analyst 79 weight 11%. It would be interesting to know how the Watson Wyatt consultant arrived at these weights and how these weights approximate equal weights for each of the four sectors.

Problem Seven

The pay range options developed by Watson Wyatt and chosen by GAO are not well explained in the documentation I have received. The "General Methodology" described (page 7) in Executive Committee Briefing: Compensation Design Options (October 29, 2004) is typical of organizational practice but depends on the quality of the market data developed, which in this case is not high. The statement that each market is weighted equally appears not to be the case.

Building ranges within bands "derived by clustering and grouping median market data" (Executive Briefing, p. 14) has no rationale provided. The market medians for jobs by band (Executive Briefing, p. 4) do not indicate any natural clusters or groupings and could not be expected to since the exhibit notes "not to scale." There are not enough data points to do any mathematical clustering and the fact that Watson Wyatt could suggest two different clusterings (one of three ranges, one of six) for band 1 indicates this was merely some preferred breakout rather than a logical one. Given the quality of the data driving the process it would be difficult to maintain that the resulting salary ranges were much more than arbitrary and artificial constructs.

Summary and Conclusions

Ordinarily, when a market pricing process indicates some significant number of incumbents are either overpaid or underpaid most compensation professionals would pause and look for explanations before assuming the process and resulting data were correct. That appears not to have happened at GAO. Yet the problems in this study are significant.

1. There is a disconnect between the rhetoric of GAO being the home of the best and the brightest and the competitive compensation strategy.
2. Only executives appear to have been involved in the study, which could result in poor job matches and lack of buy-in from employees whose pay was impacted by the study.
3. Off the shelf surveys were used that are unlikely to have captured appropriate market data. A custom survey would have provided a better basis for benchmarking these jobs.
4. The data from the surveys used is problematic. Too much of the data comes from too few organizations, the range of data for each job is very broad, and the data are not stable from one year to the next.
5. Watson Wyatt used inconsistent data cuts in developing benchmark medians.
6. The process used by Watson Wyatt to blend data is at odds with the process they claim to have used.
7. The pay ranges developed within bands are problematic, both because of the data input and because of the "clustering/grouping" technique.
8. Documentation of the study process and the resulting pay structure are ambiguous and confusing. Employees should understand how their pay structure was established and nothing I have seen is likely to lead to that.

Compensation is an art, not a science. That does not mean that it is, or should be, free of any standards. GAO is noted for the quality of its analyses. It is unfortunate that the same care was not taken with the analysis of its own pay system.

APPENDIX A
Sources of Wage Differentials

1. Geographic Factors
   a. Region
   b. Urban/Suburban/Rural
   c. Ease of Commuting (local)
   d. Desirability of Location (local)
   e. Supply/Demand Imbalances
   f. Labor Market Demographics
   g. State/Local Legal Requirements

2. Industry Factors
   a. Longevity
   b. Profitability
   c. Technology
   d. Capital/Labor Ratio

3. Organizational Characteristics
   a. Size
   b. Structure
   c. Stage in Growth Cycle
   d. Degree of Unionization
   e. Economic Success
   f. Competitive Pay Policy
   g. Other HR Policies (e.g., internal vs. external labor market strategy)

4. Job Differences
   a. Requirements
   b. Contribution
   c. Incumbent Characteristics (e.g., occupational segregation)
   d. Job Characteristics (e.g., degree of supervision)
   e. Setting Characteristics (e.g., safety, health)

5. Individual Differences
   a. Ability
   b. Performance
   c. Potential
   d. Demographic Characteristics (e.g., gender bias)

Note: There is an interaction between many of these factors. Industry is not distributed proportionally across or within regions. Different industries are characterized by different sets of jobs. Different jobs are likely to exhibit different incumbent demographic patterns.

Mr. DAVIS OF ILLINOIS. Thank you very much, Dr. Fay.
Mr. Stier.

STATEMENT OF MAX STIER

Mr. STIER. Chairman Davis, thank you very much for having me here today and thank you for the opportunity to testify here.

The Partnership for Public Service, as you noted, is a non-partisan, non-profit organization dedicated to trying to make our government an employer of choice both by inspiring a new generation into service and also by transforming the way government works.

Our bottom line is that we believe that GAO is on the right path, not perfect but definitely on the right path, and we would ask you to take a step back for a second with me to think about where we are today. I cannot name a single large organization, public or private sector, that is using the same talent management system that it used 60 years ago and still finding that it has success in the marketplace. Ultimately, we need a system that is going to be both performance and market-sensitive in order for the government to be able to attract and keep the kind of talent it needs to do the job that all Americans believe that they deserve and that they, in fact, do deserve.

This is also in line with the values that Congress has stated again and again in developing personnel systems both for the general schedule and also for GAO going back to the 1978 reforms when the merit principles were initiated. Those merit principles, in particular, the third merit principle, provides for a desire for government to reward high performers, to reward people on the basis of their performance and also to reward on the basis of what the talent market actually requires.

Second, in 1990, Congress passed the Federal Employee Pay Compensation Act and again that was an effort to move our system, the general schedule system to a more market-sensitive system based on geographic not on profession factors, and I believe that what Congress did with GAO is, in fact, the right next move in that march forward, to be looking at professions specifically and what kind of compensation they actually deserve. A GS–12 who is an H.R. professional may or may not be appropriately paid at the same level of a GS–12 who is an engineer if you are trying to, again, keep or recruit the very best talent.

I would propose to this committee that they look at four different data sources to find out whether GAO is, in fact, doing its job right.

First and foremost, you need to hear from the employees, and I would suggest that you have a very, very potent data source for that which is the survey work that is the basis of the Best Places to Work rankings that the Partnership for Public Services publishes in conjunction with American University.

According to that survey, and we now have our third iteration, GAO is No. 2 among large Federal agencies. I would note that they have had a small but significant drop, but they still rank at the very top of all Federal agencies. I would also note that GAO chose voluntarily to participate in the survey. They are not required to participate by law, and I think this demonstrates again the seriousness with which the leadership at GAO approaches these kinds of issues.

The second factor that is worth looking at with respect to the surveys is their response rate. Nearly 80 percent of GAO employees respond to the surveys that they conduct on an annual basis. I will put that in contrast to the 57 percent response rate that you see as an average across the executive branch, and it is quite striking. In fact, there is only one other Federal agency in the executive branch that has that kind of response rate. What I think that shows is a sense of commitment and engagement by the employees of GAO in a sense that what they have to say actually matters.

The second factor I would propose you look at is the actual performance of the organization. Here, again, GAO is unusually placed in that it actually measures its performance in a variety of important ways, one of which is its return on investment. We have seen from fiscal year 2005 to 2006, an increase from $83 to $105 return for every dollar spent at GAO.

Third, I would suggest you look at customer satisfaction, and obviously that means what you have to say and what fellow Members of Congress have to say about the product that they are receiving from GAO. Again, GAO covers, collects a fair bit of data on that point, but that is obviously quite crucial.

And, fourth and finally, I would propose something that I don't know whether GAO does, and that would be poll surveys, surveys that might take place in between the annual survey, focused on specific issues of concern that are needed to be highlighted in that particular timeframe.

As a closing comment, I would just like to say that the Federal Government is facing a true crisis. We are in a time in which the government has to perform in ways that it has never had to do before when a lot of talent is leaving and a lot of new talent doesn't want to come in.

In order for us to succeed in the talent workplace, we need to make sure we have performance and market-based systems that are going to be able to compete against other organizations that want that very same talent. In order for us to succeed, we are going to need to be able to move forward in the ways that GAO is doing.

Absolutely, is GAO doing exactly right? No. But we cannot let the perfect be the enemy of the good.

I would suggest to this committee that while your oversight is absolutely vital, that you give it some time. These things don't take place easily. These things take a lot of effort and attention. But at the end of the day, they pay off in very significant ways both for the organization and ultimately for the American people.

Thank you.

[The prepared statement of Mr. Stier follows:]

PARTNERSHIP FOR PUBLIC SERVICE

Written Testimony of Max Stier
President and CEO, Partnership for Public Service

Prepared for

The House Committee on Oversight and Government Reform
Subcommittee on the Federal Workforce, Postal Service and the District of Columbia

and

The Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia

Hearing Entitled
"GAO Personnel Reform: Does It Meet Expectations?"

May 22, 2007

Chairman Akaka, Chairman Davis, Members of the Subcommittee, thank you very much for the opportunity to appear before you today. I am Max Stier, President and CEO of the Partnership for Public Service, a nonpartisan, nonprofit organization dedicated to revitalizing the federal civil service by inspiring a new generation to serve and transforming the way the federal government works. We appreciate your invitation to discuss the implementation of the Government Accountability Office's (GAO) human capital reforms.

The Partnership has two principal areas of focus. First, we work to inspire new talent to join federal service. Second, we work with government leaders to help transform government so that the best and brightest will enter, stay and succeed in meeting the challenges of our nation. That includes all aspects of how the federal government manages people, from attracting them to government, leading them, supporting their development and managing performance; in short, all the essential ingredients for forming and keeping a world-class workforce.

GAO: Meeting Expectations?

The title of this hearing asks whether GAO's efforts to modernize its personnel system are meeting expectations. Based on the Partnership's work to understand what it takes to recruit and retain a winning team, our answer to your question is that GAO is on the right path.

We think it makes sense to step back and review the goals and expectations GAO, and Congress, had in mind when pursuing the GAO Human Capital Reform Act of 2004.

- We know that GAO determined, and Congress agreed, that the General Schedule pay and classification system established in 1949 was no longer sufficient to attract and retain the best and brightest at GAO. The federal workforce today is radically different than it was 60 years ago, when the General Schedule system was established. A workforce that was once 70% clerical in nature is now 70% professional, and federal employees today perform critical functions in a highly complex and networked world. The Government Accountability Office is called upon by Congress to audit, investigate, oversee and advise regarding an enormous array of very complicated federal activities affecting billions of dollars and literally every function of our government. GAO needs, and Congress deserves, the best talent available to carry out this mission.

- We know that federal employees seek environments that recognize and reward excellence. In the Office of Personnel Management's (OPM) 2006 Federal Human Capital Survey of 221,000 civil servants, only 30 percent agreed that "In my work unit, differences in performance are recognized in a meaningful way." Talented people at all levels – from new college graduates to seasoned professionals – look to work in environments that reward and recognize effort and results. Our *Best Places to Work in the Federal Government* project, which I will discuss later in my testimony, confirms that, compared to workers in the private sector, federal employees are more likely to say that they like the work that they do, that their coworkers cooperate to accomplish a job and that they are given opportunities to improve their skills. Yet, this same comparison reveals that the federal government lags behind the private sector in recognizing employees for a job well done.

- Again referring to our *Best Places to Work* rankings, pay and compensation rank well below leadership, teamwork, how well an employee's skills are matched to agency mission and work-life balance as the key drivers of job satisfaction for federal workers. And satisfied employees are more engaged and better able to contribute to agency missions. In fact, the preponderance of research on effective organizations in both the private and public sectors indicates that employee engagement is a key driver of mission success. Through its human capital reforms, GAO has sought to build the kind of performance management system that creates an environment in which excellence is both recognized and rewarded.

- We also know that it is reasonable, and expected, for some employees to have a negative view of alternative personnel systems, particularly in their early stages and especially when the changes involve pay and performance management. Concerns regarding the fairness and transparency of a new system, how employees will be evaluated, and whether there will be opportunity for meaningful employee input and feedback are valid and important. GAO has been engaged in its reform effort for several years now, starting with the appraisal system, then performance-sensitive pay and most recently market-based compensation. Organizational change on the scale attempted by GAO is hard, it takes time, and it most certainly affects morale – typically for the worse at first, but for the better over time if done right.

Personnel Reforms at GAO

Knowing that change is hard, we can still say that we believe it has been the right thing to do for the long-term health of the Government Accountability Office. The Partnership for Public Service has not worked directly with GAO in the design or implementation of the agency's personnel reforms, nor can we offer an opinion as to whether the market survey conducted on behalf of GAO by Watson Wyatt Worldwide reached the right conclusions. We can say, however, that instituting a performance management system and seeking information about the marketplace to build a competitive compensation system are the right approaches.

One of the biggest deficiencies of the current General Schedule system is that it is <u>not</u> market-sensitive. For example, a GS-12 human resources professional is paid the same as a GS-12 engineer or accountant even though competing private sector employers may pay significantly different salaries to these different occupations. To compete for the talent it needs, particularly in critical occupations, government at all levels must pay attention to the market. Market-sensitivity in government pay-setting is not a new concept. Congress recognized this need in passing the Federal Employees Pay

Comparability Act of 1990 (FEPCA) which provided for general pay increases linked to the Employment Cost Index and a locality adjustment that applies only to specific geographic areas. While not tailored to market differences among occupations, it was a good move toward a more competitive approach to pay-setting.

According to a 2007 survey by the International Public Management Association for Human Resources, 17 percent, on average, of state and local governments now use market-based compensation for their employees. For example, since 1984 the Central States Compensation Association (CSCA) has annually collected market data on compensation and benefits for its members (which now include 25 states). CSCA conducts a general salary survey, a benefits survey and an executive compensation survey. In 2004, the Association gathered information on 221 benchmark (easily recognizable) jobs across state government. Participating states use the survey data as a key source of information for setting compensation and, where relevant, negotiating pay and benefits with labor unions. This shows that GAO's effort to introduce market forces in setting pay is not new for government.

Evaluating the effect of personnel reforms at GAO over time requires a system of indicators that, collectively, will provide you with the information you need to conduct effective oversight. We believe it is vital for your Subcommittees to have data that will allow you to evaluate the satisfaction of federal employees, including those employed by the Government Accountability Office. We also believe that the Subcommittees would benefit from multiple data sources, including the input of employees themselves, and we make some recommendations in this regard at the end of our testimony.

Best Places to Work in the Federal Government

The value of indicator systems as an effective tool for driving reform has been widely documented. The Partnership has taken a step toward creating national indicators through our *Best Places to Work in the Federal Government* rankings, prepared in collaboration with American University's Institute for the Study of Public Policy Implementation. The *Best Places* rankings build upon data from OPM's Federal Human Capital Survey to provide a comprehensive assessment of employee satisfaction across the federal government's agencies and their subcomponents.

Employee engagement is a necessary ingredient in developing high-performing organizations and attracting key talent to meet our nation's challenges. The *Best Places to Work* rankings are a key step in recognizing the importance of employee engagement and ensuring that it is a top priority of government managers and leaders.

Since the first rankings were released in 2003, they have helped create much-needed institutional incentives to focus on key workforce issues and provided managers and leaders with a roadmap for boosting employee engagement. *Best Places* permits benchmarking over time for the same organization and against public sector peers and private sector competitors.

The rankings also provide Members of Congress and the general public with unprecedented insight into federal agencies and what the people who work in those agencies say about leadership, mission and effectiveness. Ideally, the *Best Places* rankings can aid Congress in fulfilling its oversight responsibilities by highlighting the federal government's high-performing agencies and raising a red flag when agencies suffer from conditions that lead to low employee engagement and poor performance.

GAO: A *Best Place to Work*?

Last month, the Partnership released the 2007 Rankings of the *Best Places to Work in the Federal Government*. This year's rankings include 61 federal agencies and 222 agency subcomponents. We rank each agency on an overall satisfaction index score based on employee responses to OPM's 2006 Federal Human Capital Survey or, in GAO's case, based on responses to identical questions in a GAO-administered survey.[1]

The *Best Places to Work* index score is calculated based on three specific survey questions related to job satisfaction, which are weighted according to a statistical analysis developed by the Hay Group. The questions are:

1) I recommend my organization as a good place to work. (Strongly Agree to Strongly Disagree)
2) Considering everything, how satisfied are you with your job? (Very Satisfied to Very Dissatisfied)
3) Considering everything, how satisfied are you with your organization? (Very Satisfied to Very Dissatisfied)

In 2005 and again this year, GAO ranks among the top large agencies. Compared to twenty-nine other large agencies included in the 2007 rankings, GAO is the overall second-best place to work, outscoring all other large agencies except the Nuclear Regulatory Commission.

One of the benefits of the *Best Places* project is that it breaks down data by demographic groups, providing Congress with a valuable oversight tool and shining a light on how different demographic groups view federal employers. GAO was ranked second among large agencies by a majority of demographic groups: females, African-Americans, Hispanics, Whites, multi-racial employees, those under 40 and those 40 and over. It was ranked third by males, and sixth by Asians.

Based on the *Best Places* findings, it is clear that GAO continues to benefit from a highly satisfied and engaged workforce. There is still room for improvement, however. We note for the Subcommittees that GAO's overall satisfaction index score, while still very

[1] The only agency in the 2007 rankings that did not participate in the Federal Human Capital Survey was GAO. GAO consulted with the Partnership when developing its 2006 employee survey to ensure that the language was consistent with the OPM survey questions. Prior to administration, the GAO survey was sent to the Partnership for review, and we verified that the relevant questions matched the Federal Human Capital Survey language.

high compared to the rest of large federal agencies, declined by 3.4% from 2005 to 2007. The data behind *Best Places* does not give the reason for this decline or whether it is the beginning of a negative trend, but we do believe it suggests the need for continued attention from the Comptroller General and ongoing oversight from Congress.

The Way Forward

Making major changes in federal human resources systems, especially in pay and performance management, involves culture change as well as system change. Such change is inevitably slow and iterative. The changes that have been implemented at the Government Accountability Office will take time to gain employee acceptance. We note that a number of other federal agencies that have been allowed to operate with special pay flexibilities, such as the Securities and Exchange Commission and the National Aeronautics and Space Administration, have consistently been rated by their employees as among the top ranked "*Best Places to Work.*"

None of the alternative personnel systems have been "magic bullets," but over time most have been improvements over what existed previously and the affected organizations would not welcome a return to the previous state.

Recommendations

The Partnership offers the following recommendations regarding the Government Accountability Office's personnel reforms:

1. The basic operational framework for GAO's approach to compensation and performance management is a system that incorporates pay bands, competency-based performance reviews, and is market-based and performance-oriented. This framework is sound, consistent with congressional intent, and one which holds the promise of effectively supporting GAO in its efforts to attract and retain a well-managed, highly talented, and productive workforce. We do not recommend any change in GAO's underlying legislation at this time.

2. We commend the Congress for its interest in determining whether the criticism by some of GAO's own employees of parts of their current compensation and performance management system is indicative of a basic design flaw, an implementation problem, or something else. As GAO itself noted in its January 2004 report on alternative pay systems at selected personnel demonstration projects (in which GAO supported the need to expand pay for performance in the federal government), "How it is done, when it is done, and the basis on which it is done can make all the difference in whether such efforts are successful."

   To fully evaluate GAO's implementation of its pay reforms, we recommend that Congress independently review and evaluate the data and metrics that GAO gathers on its own internal operations. If there are voids in the necessary data, attempts should be made to gather the missing information. Among the items to consider:

a. We note that GAO's annual Performance and Accountability reports contain information on their new hire rate, acceptance rate, and retention rate. That data may be reviewed over time to determine if there are changes that may be associated with their personnel reforms.

b. The data underlying the calculation of GAO's return on investment (ROI) associated with its mission activities may similarly be examined for variations associated with their personnel reforms.

c. GAO has voluntarily conducted an organizational climate survey among its employees for a number of years and trends in the responses to key questions on the survey can be informative. As noted in this testimony, GAO has also elected to include questions on its survey that allow it to be included in the Partnership's *Best Places to Work* rankings and the latter may serve as a useful benchmark.

d. Special "pulse surveys" of employees can also be considered to seek representative employee feedback on a small number of specific questions of interest to Congress.

e. The basic purpose of any personnel system, of course, is to enable an organization to effectively carry out its mission and serve its customers. Customer feedback, therefore, is another important indicator of the effectiveness of that system. In the case of GAO, Congress itself is a customer and feedback from Congressional users of GAO products should also be considered in evaluating the effectiveness of GAO reforms.

3. GAO has demonstrated willingness over the years to adjust its personnel systems, including its performance management system, to make improvements in response to unanticipated and unwanted outcomes, some of which are identified by its employees. Congress should encourage GAO to continue to be open to modifications in its current systems based on a thorough analysis of relevant qualitative and quantitative data, such as that suggested above.

Conclusion

Thank you again for the opportunity to share our views on the personnel reform in the Government Accountability Office. We look forward to being of assistance to your Subcommittees and to the Congress as you consider the ability of GAO and its employees to meet the needs of Congress and the American people.

Mr. DAVIS OF ILLINOIS. Thank you very much.

I am going to try to get a couple of questions in. We do have House votes that are underway.

But let me ask you, Mr. Copeland. Perhaps I will just try and start with you. In researching GAO's human capital reform efforts, did you find any evidence that the Comptroller General or that anyone could have anticipated that a market-based compensation would likely be the conclusion——

[Interruption to proceedings.]

Mr. COPELAND. Sorry, was that question to me?

Mr. DAVIS OF ILLINOIS. Yes.

Mr. COPELAND. I couldn't hear you.

Mr. DAVIS OF ILLINOIS. Would lead to a conclusion of employees being overpaid.

Mr. COPELAND. There were a couple of indications. One was actually there was a quote from the Comptroller General on July 14, 2004, 1 week to the day after the enactment of the act where he indicated that he believed that some GAO employees may have been, may be overpaid, and that was months before the delivery of the Watson Wyatt data.

There was also an indication during the hearing in July 2004, when the Comptroller General was looking for information or revision of the retention provisions, and he indicated there. I can provide for the record the specifics, but he indicated there that changes were needed because of the potential overpayment issue.

Mr. DAVIS OF ILLINOIS. Would you say that the Partnership's survey is adequate to gauge employee morale at the GAO?

Mr. COPELAND. I couldn't say whether it is accurate or not accurate. I would note, though, that there really are a grand total of 3 questions out of I believe it was about 75 questions in the Government-wide survey that was administered, that were actually the same questions that were asked of GAO. So it was on the basis of just those three questions that GAO's ranking emerged.

I would also note that there are differences in the way that the data were collected, that the OPM survey was administered directly to Federal agencies, and the employees would respond directly back to OPM whereas at GAO, the surveys were responding back to GAO. And so, one could question whether or not that methodology would yield a different result.

Mr. DAVIS OF ILLINOIS. Thank you.

Ms. Weizmann, did Watson Wyatt recommend to GAO that it split Band II into two bands?

Ms. WEIZMANN. No, we did not.

Mr. DAVIS OF ILLINOIS. Why not?

Ms. WEIZMANN. Well, your question, Mr. Davis, is one where we put together market data and, in aggregate, looked at that market data. We did find that there is in the marketplace at the Band II level, two different data points that would support that.

But in terms of putting the design together and clustering information, it was our recommendation to take all the data points in Band II—analysts, economists, attorneys—as well and work out two bands. So with regard to analysts, dividing wasn't unique to them. It was dividing the entire band for all employees and focusing on the clustering.

In terms of placing employees into the bands or how that was accomplished, that was not something that Watson Wyatt did.

Mr. DAVIS OF ILLINOIS. Did Watson Wyatt state to GAO that certain GAO employees were overpaid and should not receive an annual cost of living increase?

Ms. WEIZMANN. No. Again, overpaid would not be a word that a compensation consultant would use. We performed a competitive assessment, and the competitive assessment compared employee pay in aggregate to market data, and we showed a range of data round that.

The determination of being overpaid is a value judgment, and it would not be one that we would have given. We were able to identify where people were highly competitive or less than competitive.

Mr. DAVIS OF ILLINOIS. Thank you.

Mr. Cummings, I know that we are going to have to go and vote, and we actually have 10 votes. So I am going to ask you two questions.

Mr. CUMMINGS. Just two questions, Mr. Chairman.

To any members of the panel, how much discretion should agencies have in establishing pay and how can they be held accountable?

Come on, somebody.

Mr. STIER. I am happy to jump onto the bridge here.

I think it depends a great deal. I think you have a different circumstance at GAO in part because you have obviously a legislative branch organization that is led by someone who has a 15 year term and therefore has the capacity to be focused on longer term issues. I think it is a very different circumstance.

To my mind, what I think is absolutely vital is that this committee and Congress in general have the data it needs to understand whether these organizations are performing in the way that you expect them to and the American people need them to. That is why I suggest that much of the discretion that you may or may want to provide depends a lot on your ability to assess their actual performance.

Mr. CUMMINGS. Actually, we only have 5 minutes. I yield back.

Mr. DAVIS OF ILLINOIS. Thank you very much, Mr. Cummings, and let me thank you all.

We have just been informed that we actually have 10 votes. Any witnesses who can, if you can have lunch while we are off voting. These votes will be all be 5 minutes in all likelihood. They may even be two. We have gone to the point where we sometimes vote every 2 minutes after the first vote, and if that is the case, that means that we would probably be finished in about 40 minutes.

If you can, we appreciate it. Thank you so very much, and we have to run off and vote.

[Recess.]

Mr. DAVIS OF ILLINOIS. The committee will resume.

Let me first thank you all for staying. We really do, in fact, appreciate that a great deal.

I think as we were leaving, I had asked a question of Ms. Weizmann. I want to go back a minute if I could.

Ms. Weizmann, in your testimony, you state that you used compensation data to align GAO's pay rates with pay rates that are competitive with comparable organizations. Which organizations, could you tell us, were those?

Ms. WEIZMANN. When we collected market data, we collected it from four different marketplaces. Government was one. Private sector was another. Private not for profit, not for profit was the third, and general industry was the fourth. Each of those marketplaces as part of the methodology were equally weighted.

Did that answer your question, sir?

Mr. DAVIS OF ILLINOIS. Yes.

Mr. Stroman, we understand that African Americans were disproportionately impacted by the Band II restructuring decision and disproportionately did not receive annual adjustments in January 2006. We further understand that many of these analysts were later placed in the Band IIB category, yet the 2006 annual adjustment was forever lost.

How did their performance change over a 6-month or a 1-year period and, if you could, what factors took place that warranted the initial lower placement and then the higher placement 6 to 12 months later.

Mr. STROMAN. With regard to the adjustment, Mr. Chairman, I am not sure what the adjustment numbers quite honestly were.

With regard to the Band II, you mean the Band IIB replacement. Yes, I think that your data is exactly correct, that there were approximately 11 percent of the applicants to Band IIB were African American, and the placement was approximately 9 percent so that there was not a proportionate placement in Band IIB.

With regard to what the factors were, can you repeat the last question, Mr. Chairman?

Mr. DAVIS OF ILLINOIS. Which factors warranted the initial lower placement and then 6 to 12 months later, the higher?

Mr. STROMAN. Sure. Let me say that there were really two issues with regard to the subsequent placement. The initial placement, the primary factor had to do with the appraisal ratings. There was one of the criteria that was used with regard to whether you were placed in Band IIB had to do with your performance appraisal relative to other people in that band, and so, that was the primary factor.

With regard to the subsequent placement, there was a different process which was used. As I had mentioned during my oral and written testimony, we have had a much more aggressive procedure with regard to promotion placement, that is, that we use a centralized process to review the panel determinations with regard to whether people are placed on the best qualified list. Then, we also review the selection, preliminary selection criteria. Consistent with, I think, what we had been doing in the agency in regard to promotions, people were placed, were promoted into Band IIB.

I think right now, again, the promotion process has resulted in approximately 10 percent of the African Americans being placed in the Band IIB level which is more consistent with our overall applicant pool.

So, again, I would say, Mr. Chairman, that the difference really is two-fold. One is the different process that we used and in that process, it wasn't a placement. It was a promotion, and the promotion is really based on people's performance.

Mr. DAVIS OF ILLINOIS. Would it be safe to suggest that African Americans who enter the agency enter with the same level of preparation and meet the same requirements as other applicants?

Mr. STROMAN. There is no question about it. We have been very aggressive as I said, again, as I stated both in my oral and written testimony. We have reached out to the best universities in the country to bring in applicants, and we screen those applicants. They all go through exactly the same process.

It is because of that I stated in my testimony that the results with regard to performance appraisal are inconsistent with our efforts to bring people in who have exactly the same educational background, similar work experience and skill sets. I think that is part of the reason why we are making the efforts that we are doing with regard to our need to study this issue. But it is certainly a fact that they have exactly similar experiences as everyone else.

Mr. DAVIS OF ILLINOIS. Has the agency, to your knowledge, made any assumptions prior to the study relative to what is causing this disparity?

Mr. STROMAN. Well, I think we have looked it during the course of the time that I have been there over the last 6 years. As I mentioned with regard to performance, our clear sense is when we talk to African American staff about their performance ratings, we hear pretty much the same thing, and that is that at the end of the day (a) they believe the feedback that they have been given all throughout the engagement is that they have been performing extraordinarily well or been performing well. That doesn't match up with the appraisal that they are receiving at the end of the day.

Our sense is, Mr. Chairman, that when you have a performance management system that is predicated on both the expectation setting process as well as consistent feedback, our sense of it is that feedback and expectation setting has broken down with respect to African American staff. What I mean by that is that the normal discussions that go on with regard to what the expectations are or particular aspects of the engagement, be it at the design phase, be it at the data gathering phase, be it at the report writing phase, that communication end of it is simply not operating with regard to white staff and African American staff.

We have suggested several things need to be done. First, what needs to happen is that all of our senior management in our view need to certainly be trained in issues of having communication with regard to having difficult conversations and different conversations.

Second, I think in some instances what needs to happen is that where we have been most successful with regard to performance appraisals is when we have really required the staff to sit down and meet and talk and work with each other. When that has happened, I have seen remarkable turnaround, Mr. Chairman, with regard to the performance appraisals of African American staff, that is, that they have performed well when they have clear understanding of what is expected of them in all phases of the engagement.

In addition to that, there has to be the same level of opportunity to perform what we call key competencies, and those key competencies are things like achieving results, critical thinking and writing. All staff have to be given the same or similar opportunities to perform those key competencies. The way the system is set up, if you are not given those opportunities, quite honestly, you cannot achieve the highest ratings within the agencies and, in some instances, we have seen problems with regard to the equitable distribution of opportunities to receive key competencies, Mr. Chairman.

So those are some of the issues that from our perspective are problematic. At the same time, I will say that we really do need to study this with exactly the same rigor that we do all other agencies, and I think the study that we have commissioned hopefully will help us in that regard.

Mr. DAVIS OF ILLINOIS. Finally for you, let me just ask, do you think that there might be too much subjectivity in this type of system that relies too heavily upon the analysis and opinions of perhaps too few people that are making the assessment as well as the determination?

Mr. STROMAN. Yes, Mr. Chairman. I will say this to you based on our experiences.

As I mentioned, we have published competencies. What the DPMs or the reviewers have to do is to look at the performance and match that up with the written competencies, and it is not easy. When we have gotten our key managers together and asked them to do that, there have been differences in terms of how people evaluate the competencies. I think that those differences are reflective of the fact that people, similar people can reach different conclusions.

I think the same thing is obviously the case with regard to different teams. If you look at different teams, the evaluations within those teams are different from team to team, and I think part of the difference is with regard to the management of that particular team. So there is no question that I think that there is a degree of subjectivity which is attached to that.

I think the solution, the issue is how do we solve the problem, and I think solving the problem requires, I think, consistent and constant training and oversight with regard to the application of those standards and making sure that we have a consistent understanding of those standards.

But there is no question that there is a fair amount of subjectivity which has crept in, and where you have subjectivity, sometimes individual biases can play a factor.

Mr. DAVIS OF ILLINOIS. Thank you very much.

Dr. Fay, if I could draw your attention to what we call exhibits 4 and 5.

Mr. FAY. Yes, sir.

Mr. DAVIS OF ILLINOIS. How important are job descriptions to implement in a compensation study?

Mr. FAY. Well, if you are going to make matches to jobs in the market, you clearly have to be certain that the jobs that you have in your own organization are equivalent to those that you are benchmarking against.

Mr. DAVIS OF ILLINOIS. If you can see exhibit 4, does it tell us anything or what does it tell us about one of the survey that Watson Wyatt used in its study?

Mr. FAY. Yes, this is the Washington Technical Professional Forum survey, and it has a two sentence definition of a job family which is the operations research analysis job which was matched to the analyst job, one of five jobs that was matched to that job.

The job description is actually pretty short: Conduct analytical studies of military, commercial or civil operations. Projects and/or programs may involve engineering, scientific, information systems, logistics, administration, administrative or strategic planning expertise and lead to recommendations to improve operational effectiveness in the client organization.

So that is what you have to match on. I would state that this is actually fairly common for a lot of job surveys, that they don't have extensive descriptions. Some have much more extensive descriptions than this.

Now, this is for a whole job family, and then they break it out additionally by levels. I won't read all of those, but let me just point out some differences between the three levels. P1 which is the lowest professional level, which was not used in benchmarking, just says that they provide technical or operational support, has a Bachelor's, zero to 1 year.

Level 2 which was matched against the analyst is their intermediate professional and now instead of support, they have technical and operational proficiency in the primary duties.

Level 3 which was used for Band IIA is a seasoned professional in the job family, and again the only differences are from support to proficiency to seasoned professional. The only difference in job specifications that are listed is from zero to 1 year, 2 to 4 years and 5 to 7 years of related experience.

The point is not that this is necessarily bad. It is that it is extremely judgmental when you make these kinds of matches on data that is as skimpy as this.

Mr. DAVIS OF ILLINOIS. Based upon your review of the Watson Wyatt documents, would you say that GAO analysts were sufficiently involved in the process?

Mr. FAY. I did not get that impression. My understanding is that an executive committee, and then there was a second committee that had a small number of employees who were involved in these matches but that there was no widespread participation by Watson Wyatt employees. I am sorry, by GAO employees.

Mr. DAVIS OF ILLINOIS. Mr. Shimabukuro, many of the 308 employees who were denied pay adjustments in 2006 have filed charges with the PAB, seeking relief. Putting these charges aside for the sake of discussion, can you think of what might be a legislative solution if Congress itself was interested in awarding or making sure that these individuals got pay adjustments?

Mr. SHIMABUKURO. Mr. Chairman, I think one of the options Congress has is to impose a condition on the agency's appropriations, in other words, to condition the use of funds appropriated to the agency on providing those pay adjustments to the affected employees.

Mr. DAVIS OF ILLINOIS. You don't think that would be stretching legislative interaction relative to a decision of this nature?

Mr. SHIMABUKURO. I believe that there are political questions that Congress would have to consider. However, these kinds of conditions are imposed on appropriations measures to agencies, and I don't think would be inappropriate.

Mr. DAVIS OF ILLINOIS. I think that we may very well submit additional questions. If each of you would respond to those in writing, we would appreciate it.

So let me thank you very much for your appearance, and we certainly want to add another thank you for your patience in waiting for us to return from the voting process. Thank you very much.

Gregory Junemann, Dr. Barry Seltser and Janice Reece, thank you all very much. Let me just introduce the witnesses.

Gregory J. Junemann was unanimously elected to serve as president of the International Federal Professional and Technical Engineers [EFPTE], AFL–CIO and CLA at the union's 54th convention in March 2001. On Tuesday, May 8th, the IFPTE filed petition to hold an election at the Government Accountability Office.

Dr. Barry Seltser is the former Director of GAO's Center for Design Methods and Analysis. He is currently an independent consultant with expertise in government program evaluations and performance management systems.

Ms. Janice Reece is the former General Counsel for GAO's Personnel Appeals Board.

Thank you all for being with us.

[Witnesses sworn.]

Mr. DAVIS OF ILLINOIS. The record will show that each one of the witnesses answered in the affirmative.

Perhaps we will just start with you, Dr. Seltser.

STATEMENTS OF BARRY J. SELTSER, FORMER DIRECTOR, CENTER FOR DESIGN, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; GREGORY J. JUNEMANN, PRESIDENT, INTERNATIONAL FEDERATION OF PROFESSIONAL AND TECHNICAL ENGINEERS, AFPTE, AFL–CIO; AND JANICE M. REECE, FORMER GENERAL COUNSEL, PERSONNEL APPEALS BOARD, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

STATEMENT OF BARRY J. SELTSER

Mr. SELTSER. Thank you, Mr. Chairman.

I would like to begin by clarifying that I am here at the request of the committees. Since I resigned from GAO a year ago because of my opposition to the way the new personnel system was being implemented, I have not sought out opportunities to speak about these issues. I have agreed to testify today in the hope that some of my perceptions and experiences can help strengthen this important organization.

I had a very satisfying 16 year career at GAO, and I have the highest respect for the wonderful staff and senior managers throughout the organization. I am not calling into question the motives or good intentions of anyone at GAO. I am speaking only for myself although many of my views are shared by many of GAO's strongest and most successful staff.

I cover these topics as well as several others in a longer written statement that I have submitted for the record.

GAO's new performance management system has made some significant improvements, but several related problems have emerged in the process of its design and implementation. For example, there is unacknowledged and distorting subjectivity in how ratings are assigned and calculated, unwarranted assumptions that the competencies are equally important and that skills and performance are distributed similarly across work units, excessive pressures from the top of the organization to avoid rating inflation and there was insufficient reliability testing of the work standards that are used in developing ratings.

These problems, I believe, created a gap between the formal way the system is supposed to work and its actual implementation. This gap is, I believe, partly responsible for a decrease in transparency and trust throughout the organization.

Most important, the increased emphasis on an inflexible application of relative as opposed to absolute performance has created a much more competitive environment at GAO. Increasingly, financial opportunities and organization status are being competed in a zero sum atmosphere where only a fixed percentage of staff in each work unit can be viewed as strong performers.

This became a particular problem when placement in the top half of the units' rating distribution over the prior 3 years was used as a crucial factor in the pay category placement decisions in 2006. Staff in relatively stronger units were disadvantaged because they would have been placed higher in the relative rating distribution if they were working in weaker units.

Many employees who were fully qualified to carry out the roles and responsibilities of the higher pay category were placed in the lower one solely because of their relative performance scores within their work units, not because they would be unable to carry out the responsibilities at the higher pay range.

The result, I believe, was a set of decisions that demeaned the very significant contributions made by many GAO staff whose only weakness was being assessed in a group of other highly qualified employees.

During my final years at GAO, I observed a serious deterioration in morale and trust as a result of these changes, and I found it much more difficult as a senior manager to foster and maintain a culture of teamwork in the face of this new incentive system. I believe many of the intended benefits could have been achieved with more openness about the actual process of assigning rating scores, a more flexible approach to actual differences of performance across work units and more sensitivity to the effects of labeling employees in the lower portions of the rating distributions in a highly productive organization filled with highly competent staff.

I hope that Congress can help GAO and the rest of the Federal Government design and implement pay for performance systems that can avoid or minimize many of the problems that GAO is now encountering.

Thank you very much, and I will be glad to take any questions you might have.

[The prepared statement of Mr. Seltser follows:]

Written Statement for Congr ssional Testimony Before The House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, and The S nate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

Barry Jay Seltser
May 22, 2007

I would like to begin by clarifying that I am submitting this statement at the request of the Committees. Because of my opposition to how some key aspects of the new performance system were being implemented, I resigned from GAO in June 2006. Since then, I have not sought out opportunities to speak about why I left. I have agreed to testify in the hope that some of my perceptions and experiences can help strengthen this important organization. Although I have not been at GAO for the past year, I believe my experiences and concerns continue to be relevant to the current performance management system.

I had a wonderful 16 year career at GAO, and greatly enjoyed the opportunities I received. I was treated very well, was promoted several times (eventually to the senior executive service), and was not negatively affected financially by any of the recent personnel changes. Also, I want to emphasize that I am not calling into question the motives or good intentions of anyone at GAO. I had, and continue to have, the highest respect for the outstanding staff and senior managers throughout the organization.

I am speaking only for myself, although many of my views are shared by some of GAO's strongest and most successful staff. My perceptions and conclusions are based both upon my own experience, and upon discussions with hundreds of GAO employees and dozens of GAO managers over the last few years. Because of my role in a specialist Team that provided advice and support across GAO, because of my level in the organization, and because I led the Task Team for Specialists that considered and made recommendations for the 2005-2006 pay category decisions, I had th opportunity to talk with people across the organization, and most of them expressed concerns about the issues I am addressing here. I did not conduct a scientific survey of staff opinions, but I can attest, on the basis of my knowledge and experience, that these concerns are widely held and are not restricted to lower-performing or disgruntled employees, nor are they limited to staff in one or two Teams or at one or two levels of the organization.

In this statement, I will identify several closely related and problematic features of the new performance management system. The goals of pay for performance are reasonable and appropriate; the problems have emerged from specific decisions taken in the design and implementation of this particular system at GAO, leading in many cases to a lack of transparency and trust. In order to understand many of the problems that have emerged more recently with the decisions to split the largest pay band, it is necessary to take a broader view of the overall performance management system.

First, the new system is based on ratings on a group of "competencies" (such as achieving results, thinking critically, and communicating orally and in writing). Using input from staff and other management personnel, supervisors provide these ratings, which are then reviewed by unit SES managers. In theory, employees are rated on each of the competencies, and the resulting sum of the individual ratings determines their relative ranking within their unit. This relative ranking within the unit is used to allocate most of the financial and promotional rewards.

In practice, however, the actual rating scores usually have to be managed by the unit SES members to assure that the stronger staff receive a higher total rating score. Most GAO managers with whom I spoke acknowledge that the competencies are not all equally important for all employees; some staff members may be expected and required to perform particularly well on written communication, for example, while other employees may be focused on dealing with congressional staff or oral communication. In addition, I believe most GAO managers value certain competencies such as "achieving results" and "written communication" as particularly important competencies for most of their staff members, and employees who tend to excel in those areas would be more likely to be viewed as more outstanding overall. (In some specialist units, on the other hand, competencies such as "critical thinking" and "collaborating with others" may be seen as more essential to the role.)

However, the system weights the competencies equally, even though, as I will discuss below, there appears to be no clear basis for doing so. Because of this problem of equal weighting, the subjectively correct rank ordering can be achieved only by a separate process assuring that the best employees are at the top of the distribution. This usually involves raising or lowering particular individual rating scores to assure that the summed total for the employee places him or her at the appropriate place in the overall rating distribution within the Team. On the basis of my conversations with dozens of supervisors, and with senior managers over a period of several years, I am convinced that such "managing" of the ratings was a common and essential aspect of the determination of the final rating distribution within each unit.

In my opinion, given the design of the system, there is nothing wrong with this approach, because some process of "managing ratings" is inevitable and justifiable in any performance management system. In many cases, an employee with outstanding skills and performance in one or two competency areas would be seen by the manager as making a more significant contribution overall to the Team and to GAO, and therefore more worthy of additional rewards for that rating year, than an employee with moderately strong skills in several areas. But simply adding up equally weighted scores across the competencies may not yield the appropriate rank-ordering. The system assumes that the definition of "strong performance" is completely and universally identified with having a higher sum of individual scor s, and that all GAO employees at the same l vel are xpected to perform tasks represented equally across all the competencies. I believe these are not reasonable assumptions, given the diversity of roles and the types of accomplishments that need to be considered in rewarding staff.

As a result, fairness and accuracy frequently require additional management flexibility to assure that the strongest overall performer will end up at the top of the distribution. The current system forces the rating distribution to be used as the sole determinant of most financial rewards, and usually of promotion potential as well. Instead of allowing managers to look at the rating distribution and then use their judgment to make the final rank ordering (which is how the prior performance management system operated), the current system requires managers to build the subjective judgment into the assignment of the rating scores to assure the appropriate outcome. Such subjective judgment is always an essential aspect of any such performance management process; the only question is where and when it occurs, and how visible it is to staff. My concern is that public statements about how ratings are determined have not been consistent with actual practice.

Furthermore, this process of frequently managing the rating scores undermines the usefulness of the system for purposes of providing competency-specific feedback to staff. If an employee's ratings are determined in part by a process that does not simply allow the scores to be assigned strictly according to perceived performance separately on each competency, supervisors are less able to use the ratings to provide honest feedback on staff performance. This feature of the system, I believe, both distorts the ostensible and stated meaning of the ratings, and fosters distrust among staff about the basis for the ratings themselves.

Second, to the best of my knowledge, the processes of validating the rating categori s, and of det rmining the reliability of applying rating scores, were insufficient. I am aware of only one formal validation effort before the system was implemented. In developing the specific standards for each competency, GAO staff were provided a long list of work activities and asked whether they performed them in their current roles and levels. The results of this exercise were used to assign standards to each level of the organization. But I am not aware of any such process to determine whether the competencies, or the work standards that defined them, should be weighted equally. I reviewed the contractor's descriptions of the validation process, and no mention was made of assuring equal weighting either of the competencies or of the associated work standards. (I once raised this question in a meeting of senior managers, and the response was that "there is no evidence that the competencies should not be equally weighted". Needless to say, GAO staff would not accept such a response to questions about a policy decision from an agency they were auditing.)

I also am unaware of any efforts to seriously assess the reliability of the rating process. Standard social science practice would require a systematic examination of "inter-rater reliability" to assure that different supervisors would provide similar rating scores when confronted with the same situation. I frequently asked whether a formal and thorough testing process had occurred before the implementation of the system, and no examples were ever provided. However, after the implementation of the system, I sat through two informal brief exercises (with supervisors and with senior managers) asking us to rate staff based on written scenarios; in both of these cases, there were large differences in how the participants rated the staff member. Such results did not give me confidence in the reliability of the ratings, nor did they suggest that such testing had been systematically performed before the system was implemented.

Achieving reliability on performance ratings is a very challenging task for any organization, and some variation is inevitable due to the subjective nature of the rating process. However, because insufficient attention was paid to this issue, and because so much now rests on the rating scores, I believe the claims made for the objectivity and accuracy of the ratings are not supported by the evidence. This provides another basis for skepticism about whether the current system accurately and fairly assigns rewards on the basis of actual performance.

Third, although it may not be apparent to most staff, there is pressure from the top of the organization to have roughly comparable scores across the different units, and to keep the ratings consistent from year to year. Small differences are allowed but unit managers work hard to assure that their staff receive ratings that are within an acceptable range. Senior managers whose Team rating scores are higher (both overall and on particular competencies) have received additional scrutiny, and have frequently passed those concerns on to the raters in their units. In addition, pressure is exerted to avoid "rating inflation" from one year to the next, which creates additional distortion to the accuracy of the ratings. Because there is relatively low turnover at GAO, and because the written standards are not revised upward each year, I would expect ratings to increase over time, as staff became more proficient in meeting the standards; but the strong pressure to avoid inflation results in individual ratings that are often low r than deserved. Supervisors and managers throughout GAO told me about examples of being pressured to lower ratings, not because the particular rating was not correct but because the unit's overall scores needed to be lower. This procedure undermines useful feedback and trust, since many staff receive ratings that do not reflect their actual level of performance on specific competencies.

Part of the problem is the assumption that all units are roughly equal in terms of the overall distribution of performance of their staff. Staff in "stronger" units are significantly disadvantaged, since they might be higher in the distribution ranking if they were judged against colleagues from other units. These discrepancies in the application of the ratings would be less of a problem if the relative standing within a unit was not used as the major (and often the sole) basis for determining raises, and as a major criterion to determine placement in the upper level of the restructured "Band II" pay ranges.

This leads to consideration of what I believe is the most serious problem with the implementation of GAO's new performance management system. Much greater emphasis is now placed on a particularly inflexible approach to relative (as opposed to absolute) performance, where the reference group for the relative performance is the individual's Team (e.g., Homeland Security and Justice, or Physical Infrastructure). The major institutional rewards (including raises and promotions, as well as many opportunities for more challenging work) are increasingly based on the relative score one receives on the annual assessments. One further indication of this change is the significant decrease several years ago in the available funds for ad hoc incentive awards, when much of the money was put instead into the annual evaluation process. The more ad hoc awards could be used by managers to provide incentives to staff who may have ended up in the lower part of their rating distributions but who still made very significant contributions; decreasing the availability of these funds sent a further message that staff whose relative performance within their work unit was not high were not highly valued by the organization.

My major concern is that these changes have created a much more competitive environment at GAO, where an employee's financial opportunities and organizational status are being competed in a "zero-sum" atmosphere where only a certain percentage of staff will ever be treated as strong performers. A manager at GAO is now much less able to reward a staff member who has worked hard and made significant accomplishments on particular projects, unless the staff member is placed in the top part of the rating distribution within the Team. The basis for this approach appears to be a belief that a relatively small group of employees in each unit consistently perform much better than their peers, and that they should receive the major rewards of the performance management system.

But this belief may not be accurate for all Teams, and indeed is unlikely to be equally true in diverse units with different types of priorities and projects. In some Teams, the contributions of staff may be much more homogeneous, in which case a true "pay for performance" system should be rewarding people more equally. It is, I believe, the task and responsibility of senior managers within the Team to make these determinations, and they should be given the flexibility to provide incentives and rewards according to the actual distribution of performance within the Team. The current system does not allow such flexibility. For example, when the decision was made to place staff in either the 2A or the 2B pay categories, the midpoint of the rating distribution was used in all Teams as one of the key factors, a decision that clearly disadvantaged staff in stronger Teams and that failed to recognize different levels of performance and skills among people who might have ended up in the bottom half of the rating distribution in many Teams.

This approach has demoralized many excellent GAO employees who are making very significant contributions, but who may not be as strong as their peers in their particular unit in overall performance when senior managers are required to rank order their staff. As a Director of a specialist unit, for example, I created a rating distribution based on relatively small distinctions in staff performance; but those in the bottom half of the distribution were then treated in significantly different ways and were sent messages that they were not strong performers, in spite of their often enormous contributions to the organization. I do not believe this is an effective or helpful way to implement the concept of "pay for performance", in part because it over-emphasizes relatively small differences in staff performance and because it sets staff against one another in terms of competing for rewards within their own work unit. GAO's work depends upon teamwork, collaboration, and mutual support from one's colleagues; any incentive system that threatens to undermine teamwork does not serve the interests of either Congress or the Am rican people.

Finally, I was very concerned by some other aspects of how the decisions were made to assign staff to the newly created pay categories in 2006. The decisions were based primarily (although not exclusively for most analyst staff) on ratings given during the prior three years; however, when these ratings had been assigned, supervisors and managers had no idea that they would be eventually used in this manner. For most specialists at GAO, their ratings were the only relevant factor determining their pay category in this decision, and staff who were fully qualified to perform functions and roles defined in the criteria for the higher category were placed in the lower one solely because they had been in the bottom half of the rating distribution for their work units. This result was not consistent with the original statements that the placements would be based primarily on roles and responsibilities, and that no fixed quota would be used to determine the percentage of staff in the higher pay category.

This outcome placed managers in a very difficult position of justifying using ratings for a purpose for which they were never intended. An individual's overall relative ranking on the competencies was not, in my view, a predictor of the ability required to perform at the higher pay level. If the decision to assign most of the affected staff to the lower pay category was a purely financial one (because GAO could not afford to pay more than half of its staff at the cap of the higher pay category), this rationale should have been clarified at the outset of the process. Instead, various reasons were provided, the major one being that roles and responsibilities should be more highly correlated with pay. But no convincing argument was made that one's relative rating scores should be used as a proxy for such decisions, particularly if the distribution of skills and accomplishments varied across work units and across types of staff.

In addition, the process for making the final placements was taken out of the hands of the unit managers who were closest to staff performance, and who would be able to understand and assess their skill levels and experiences most effectively. In the interests of creating a process that would be seen as sufficiently consistent across the organization, the unit managers' views were frequently overridden. The Executive Committee has the ultimate right to make such decisions, of course, but I believe it did a serious disservice to the broader management team and to the expectations of staff who felt that their unit managers knew more about their actual performance and their abilities to meet the other criteria of the higher pay category.

In conclusion, I believe that many of these problems could have been avoided by different decisions that would have preserved the positive goals of implementing and improving GAO's earlier pay for performance model. For example, more openness about the actual process of assigning rating scores, including recognizing the subjective nature of how managers assign ratings and the need to weight some competencies more highly than others, would have created more trust in the underlying scores, and less skepticism about how management was defending and using the ratings.

In addition, more flexibility in how distinctions were drawn in different work units would have provided managers with the ability to apply the ranking system in a way that truly matched the performance distinctions of their employees, and would have prevented staff from being seriously disadvantaged by being part of a stronger work unit. One alternative would have been to provide unit managers with a per capita budget for raises and other rewards, and to allow them, with some guidelines, to apportion the rewards according to the actual performance of their staff. That is, after all, the underlying purpose of a pay for performance system, which should focus on rewarding actual performance levels rather than on establishing fixed ranking levels to determine reward differentials. In a unit where skills and accomplishments are more homogeneous, for example, the rewards should be spread more evenly as well. Using a fixed cutoff level or expecting similar rating distributions across all work units undermines the ability of managers to create a reward structure that reflects the actual significant differences in performance of their employees. GAO's senior managers are paid for their judgment and professionalism; a process that minimizes their flexibility and ability to tailor rewards to performance is likely to undermine both their self-respect and the way they (and the performance management system) are perceived by their staff.

It is possible that GAO's manner of designing and implementing this performance management system was the only way to avoid legal problems or other unanticipated consequences. I do not believe that this is the case, but if it is, then I would hope Congress, in its oversight function, would be fully aware of the effects and implications of adopting such a system in other governmental agencies. The problems are serious; if they cannot be avoided, they should at least be examined, acknowledged, and minimized wherever possible.

I believe that GAO's current performance management system includes features that are distorting the underlying goals of a pay for performance system, and that the actual implementation of this system threatens to undermine the teamwork and collaboration upon which GAO's work depends. During my final years at GAO, I observed a serious deterioration in morale and trust as a result of these changes, including among some of the very best employees at GAO. As a senior manager, I was forced to send negative messages to some excellent employees who fell into the bottom half of the rating distribution in a very strong unit. At the same time, many others grew increasingly uncomfortable with a system that, while providing more financial rewards to them in some cases, clearly harmed their colleagues, and seemed to be creating a more competitive and unfair work environment for all employees. In my view, the gains from this approach were not worth the harm that was done to many outstanding employees and to the culture of the organization.

The current Comptroller General and his Executive Committee have made many positive changes at GAO, and the underlying goal of a system that rewards high performance is one that should be fostered. But I believe that Congress needs to give careful consideration to the specifics of how this system is being implemented, and the effects this may have on the perception of fairness and on the morale and teamwork upon which government work depends. GAO's experiments in the human resources area are frequently cited as models for the rest of government, so it is very important that Congress understands what GAO has done and how to avoid some of its problems. I hope that GAO, and the rest of the federal government, can move toward a version of performance-based rewards that take into account both the benefits and risks of implementing this approach in the all-important arena of public service.

Mr. DAVIS OF ILLINOIS. Thank you very much, Dr. Seltser.

We will move to Mr. Junemann.

STATEMENT OF GREGORY J. JUNEMANN

Mr. JUNEMANN. Thank you, Mr. Chairman, and I would also like to thank Chairman Akaka, for the record, for holding this hearing.

The GAO employees are particularly grateful that you have taken the opportunity to express your concern in investigating because of your appreciation for the work they do on behalf of Congress and the American taxpayers.

I would like to say also that most of these folks behind me are GAO employees. They are Band Is, Band IIAs and Band IIBs here on their own time, have traveled on their own cost to participate in this hearing.

Really, I have understood that Mr. Walker has referred to the unionization effort as being brought about by a handful of disgruntled employees. I would like to correct that. These are hundreds and hundreds of dedicated professionals, many of whom have fared quite well under the new system. These aren't the losers. These are the cream of the crop, and they are very dedicated to the profession.

I think that is also why when people look and say, well, how could there be a unionization effort and still this second place rating among large facilities within the Federal Government, because we don't see unionization as somehow contrary to making a workplace better. In fact, we think a unionized work force is a more efficient and more productive work force, and that is really their goal is to make GAO an even better place to work.

What brought about the unionization effort, of course, was the split in the Band II, when we went from Band IIA to Band IIB. What happened there was, one, they changed their criteria without informing the employees, that retroactively the 3-year expectations were no longer going to apply, that they were going to go back 3 years and change the rules on that.

And, second, there was a large group of people, something like 20 percent, 300 of 1,500, saw their pay frozen. I took note this morning when Mr. Walker reminded you that GAO's budget has not kept place with inflation. There are 300 employees that work for him that say, welcome to our world, because their pay was frozen as well.

Beyond that, the criteria that was changed, again, without anyone's knowledge it was going to happen, such as analysts in charge; what was meant by the performance standard of meets expectations; the risk expectations of individual engagements, whether it was high, medium or low depending on the particular project, that somehow had a new criteria, a new measurement and criteria that wasn't there before.

Even things like people who were working as advisors on the professional development program, they saw that as integral before to getting promoted. Then once the new system came into place, they saw that it was actually holding them back.

I was also interesting to hear Mr. Walker talk about that he held a nationwide video conference explaining the new system and then said no employees talked to him about any of their concerns. That is because they were talking to each other, and they saw that the only thing they could possibly do was to band together and form themselves into a union.

We didn't target these people for unionization. They came to us because they saw it as their way of getting control of what was happening. We don't see it as a campaign that is around financial issues. It is a cultural problem that is at fault.

That is, I guess, where I take exception to some of the folks who have said that this takes 3 to 5 to 7 years before it really takes hold. Maybe on a financial end, it does. But people can see, especially pretty smart dedicated professionals can see right up front that this is a cultural change, that these are square wheels on the wagon, and it isn't going to work this way. Also, again, they saw that the fix needs to be made immediately.

But that being said, we have a tremendous amount of ideas that we would like to work with Comptroller General Walker to make this a better place. These folks that we hope to represent—and we think we are going to win this election—that we hope are representing this union, they are going to be the ones doing the heavy lifting with this effort to work with management to say we can make this a better place.

We can make this new pay system more efficient. We can fix some of these things that have gone askew.

Beyond that, we do ask, and I should go back to my written remarks. We do ask our Congress to take some actions on this. We feel that the invalid process used for the Band II pay split and the denial of annual pay adjustments to many staff contrary to repeated promises prove that the Comptroller General has too much discretion over the GAO Human Capital Reform Act of 2004 and that he has not complied with both the provisions of the act requiring accountability measures to ensure that the performance management system is fair, credible and equitable.

Therefore, I ask you to consider repealing or substantially revising the authority given the Comptroller General under the act, and we also ask that you decline to provide any additional discretion over personnel policy at the agency such as discretion to set rules independent of OPM requirements.

And, finally, we ask that you consider requiring independent review of the criteria and processes GAO and management used to implement the Band II split.

Mr. Chairman, I really appreciate this morning when I heard you say that the EAC can do a survey to see what can be done about this. I think actually it does need to go independent. In talking to some of the employees on the break, they feel the same way, that it would be terrific if the EAC could do this, but it would be much more beneficial to the problems at hand if we could have an outside agency assist with the overall measurement of what has happened here.

Again, I thank you very much for the opportunity to speak on behalf of the employees that we will represent as one of our new locals. Thank you.

[The prepared statement of Mr. Junemann follows:]

INTERNATIONAL FEDERATION OF
PROFESSIONAL AND TECHNICAL ENGINEERS
AFL-CIO & CLC

Statement of
Gregory J. Junemann
President

International Federation of Professional & Technical Engineers (IFPTE), AFL-CIO

Prepared For:

Joint House, Senate Subcommittees on the Federal Workforce, Postal Service and District of Columbia

Hearing:
"GAO Personnel Reform: Does It Meet Expectations"

Tuesday, May 22, 2007 - 10:00 am
2154 Rayburn House Office Building

Testimony of Gregory J. Junemann, President
International Federation of Professional and Technical Engineers, AFL-CIO, CLC

GAO Personnel Processes Do Not Meet Expectations for Accountability, Integrity, and Reliability

My name is Gregory Junemann. I am president of the International Federation of Professional and Technical Engineers. IFPTE represents over 65,000 highly skilled professional and technical workers in the private and public sectors throughout the United States and Canada. Among our members are all nonsupervisory employees of the Congressional Research Service (CRS), who have been a part of our union for more than 20 years. In addition, IFPTE represents thousands of NASA and Department of Defense scientists, engineers, and related techncial employees as well as more than a thousand federal adminstrative and immigration judges.

Before I get started I wanted to extend a note of thanks to both Chairman Davis and Chairman Akaka for giving me the opportunity to testify before your respective subcommittees. As a union representing tens of thousands of federal workers, I commend you both for your staunch support of our nation's civil servants and I look forward to addressing you each, and the members of the subcommittees here today.

Overview of Union Organizing Work at GAO

During the past year, we have been working with employees from the Government Accountability Office (GAO) to help them gain union representation. On May 8, 2007, we filed a petition with GAO's Personnel Appeals Board and submitted union authorization cards signed by a majority of GAO's Band I and Band II employees, including employees from every mission team and each of GAO's 13 field locations. I am here to speak on behalf of these GAO employees, many of whom, I have had the honor to work closely with on this testimony, and to express their concerns about personnel policies at the agency. The employees asked me to thank you for holding these hearings and for showing that you care about GAO workers and the work they do on behalf of Congress and the American taxpayer.

I am devoting my testimony to informing you about the circumstances that convinced hundreds of normally reticent GAO analysts, auditors, statisticians, IT specialists, and others to band together to form a union. Apart from these circumstances, there are many other conditions at GAO that the employees hope to address through their union, such as how engagements are staffed, the distribution of workload and opportunities, the quality of supervision, lack of transparency, and management's tendency to dismiss employee concerns. Further, the GAO employees' concerns are not just about what has happened in the past. The past is prologue. GAO employees are concerned that management does not recognize the long-term, adverse consequences that its actions may have on the institution. Consequently, they believe that, unless adequate checks and balances are put in place, GAO management will be prone to making similar mistakes in the future. The employees have a vision of an agency with a fair, credible, and equitable performance management system that is transparent, supports teamwork and diversity, and will truly merit having GAO placed at the top of the best places to work in the federal government. GAO employees are proud of the mission of GAO and want to ensure that they can continue to successfully carry out that mission.

Background

This story began in 2002 when the Comptroller General began talking about splitting one of GAO's pay bands—Band II. Since the late 1980s when GAO implemented a pay-for-performance system, GAO has not used the Office of Personnel Management's General Schedule but has placed employees in three broad pay bands and promised employees that they would not be any worse off than they would have been under the General Schedule. Employees from the grades of GS-7 through GS-12 were placed in the lowest band--Band I. Employees from GS-13 and GS-14 were placed in Band II, and GS-15 employees were placed in Band III. The Comptroller General has described the Band II staff as the backbone of the agency. They are the senior, non-supervisory staff who do the bulk of GAO's work reviewing federal programs and writing reports for Congress. Band II employees often hold the role of Analyst-in-Charge. Employees in this role have certain responsibilities for shepherding an engagement through the GAO processes; however they exercise no authority over personnel-related matters. For example, the Analyst-in-Charge **does not** assign staff to the engagement, or determine how staff on the engagement will be rated under the performance management system.

In 2003, the Comptroller General submitted a legislative proposal to Congress that included, among other things, that he be given authority to decouple from the GS schedule annual pay adjustments for GAO staff. In July 2004, Congress approved the GAO Human Capital Reform

Act of 2004 giving the Comptroller General the authority he requested.[1] The Comptroller General then commissioned a study by the personnel and financial consulting firm Watson-Wyatt to determine comparable pay rates in the marketplace for the type of work performed by GAO employees.

In December 2005, GAO management implemented the Band II split by creating two levels—A and B. Band IIA, the lower level, was given a pay cap lower than the current salary level of many of the Band II employees who were reclassified as Band IIAs. Because their reclassified positions had pay caps lower than their current salary, the Comptroller General also denied annual pay adjustments to hundreds of GAO staff. As the Congressional Research Service documented in its testimony before you in March 2007, this action contradicted promises the Comptroller General had made to GAO employees and Congress that he would provide annual pay adjustments to all staff performing at the meets expectations level and above.[2]

As the Congressional Research Service also testified, the Comptroller General's action puts many GAO employees at a distinct disadvantage in annual pay and implications for employees' pensions when they retire when compared to other federal employees. Further, the Comptroller General's action violates the promise made to employees that they would not be any worse off in pay bands than they would have been under the General Schedule. Although the Comptroller General cited the Watson-Wyatt pay study as the foundation for his decisions regarding the Band II split, he refused to share the study with GAO staff until only a couple of weeks ago—about 17 months after the reclassification. GAO employees appreciate the actions taken by your House Subcommittee to encourage the Comptroller General to release the study, and we look forward to hearing about any analysis of it that the Congressional Research Service may have conducted. However, GAO employees have asked me to explain, not problems with the study itself, but an equally important concern, which has not heretofore been adequately examined – specifically, the invalid process that GAO management devised for the Band II split. Reasonable people could never have expected this process to achieve a sound result. GAO employees believe that the use of this process and the Comptroller General's cavalier disregard for his past commitments to staff violated GAO's core values of accountability, integrity, and reliability.

1 P.L. 108-271, July 7, 2004.

2 Curtis W. Copeland, Congressional Research Service, "Implementation of the New Pay System at the Government Accountability Office", March 8, 2007.

Employees' Concerns--Implementation of Personnel Legislation

Concerns about the agency's personnel processes are widespread, coming from newer and more experienced workers, from almost all organizational levels. Many employees who were not placed under a lower pay cap and were not denied annual pay adjustments have supported and helped lead the movement to get a union at GAO. After all, GAO is an analytical organization and its employees can see when the system is broken. And when the system is broken everyone under that system suffers. GAO employees do not oppose the principle of rewarding staff commensurate with their contribution; they oppose the invalid process that GAO management implemented in the name of this principle.

If you listen to the Comptroller General explain the reclassification, you may think that he conducted a study to determine a market-based pay range for employees in different jobs in the agency and then simply reclassified staff based on the jobs they were performing. He says he did it to achieve equal pay for equal work. You might think that was a reasonable thing to do. But that is not what was done.

In devising the Band II split, GAO management developed criteria to determine which employees would be placed in Band IIA and which in Band IIB that employees had never been told were critical factors in their career development or performance assessments. The past was given new meaning as these criteria were applied retroactively over the prior 3 years to determine employee placements. The first criterion for placement in the higher level, Band IIB, was to have frequently held the role of Analyst-in-Charge.[3] It had been commonly understood that holding the role of Analyst-in-Charge was helpful but not necessary to career advancement in GAO. Staff who had held other roles instead had often been promoted to the Band III level. When GAO implemented pay for performance it promised employees that they would be rewarded for the skills they brought to the assignment and that the system would afford GAO more flexibility to utilize staffs with varied skills to complete assignments.

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3 This statement addresses the approach used for the Band II split for those in the Senior Analyst position, the most common position held by Band II staff at GAO. However, Band II staff hold other positions, and the Band II split was conducted differently for different positions. For example, placement of Band II methodologists in the Applied Methods and Research team was determined solely on the basis of where employees fell in the rankings of performance appraisal scores, and Communications Analysts were told they were not eligible for placement into Band IIB.

The second criterion used to determine employee placements involved the statistical manipulation of performance appraisal scores. The performance appraisal system uses various performance dimensions such as "critical thinking" and "communicating in writing" and describes different levels of performance. In September 2002, Mr. Walker told employees that they should not fear being rated as "meets expectations" and that "GAO personnel are a cut above and the market recognizes this." Over the years, GAO management has repeatedly assured staff that "meets expectations" is a high standard and that employees with appraisals at the "meets expectations" level would receive annual pay adjustments. However, for the Band II split, meeting expectations was irrelevant. The new determinate of performance was whether the employee received a performance appraisal that ranked in the top 50th percentile of performance appraisals. This created an automatic group of potential winners and losers regardless of the individuals' contributions. Many of those in the bottom 50 percent had received appraisals well above the meets expectations level, and when they received those appraisals they were told they were performing at a high level. It did not matter that when their supervisors prepared those appraisals one, two, or three years ago, the guidance they followed had nothing to do with how the employees would be classified in some future band assignment. It did not matter that the performance appraisal scores used to rank employees are an extremely sensitive measure and that a very slight difference could switch an employee from one half to the other.

The GAO Human Capital Reform Act of 2004 requires that GAO's system for appraising employees' performance include "effective transparency and accountability measures to ensure that the management of the system is fair, credible, and equitable, including appropriate independent reasonableness, reviews,
internal assessments, and employee surveys." However, GAO employees understand that GAO's current performance appraisal system does not meet these requirements. Much of GAO's performance appraisal process is based on unwritten standards and methods that GAO management shares only with the SES and Band III staff who prepare performance appraisals. Also, the different GAO mission teams have their own unwritten rules for performance appraisals, with the result that appraisal averages are inconsistent across mission teams. GAO employees know that the written standards for performance appraisals leave room for widely divergent interpretations of how an employee should be rated. When GAO held classes on the appraisal system and asked participants to prepare ratings based on case examples, they found the participants' ratings differed widely. The first "Frequently Asked Question" listed in a training manual for these classes asked about how the performance standards could be used to prepare

good appraisals when the language was so vague. The provided answer was that the performance standards are not vague, and it described the process used to develop the standards.[4] However, employees know that some supervisors prepare appraisals that are much less generous than others and that having a supervisor who likes you is very helpful in obtaining a high appraisal. GAO staff has heard from Band IIIs about efforts by management to achieve the results they want from the appraisal process, including setting quotas for marks above "meets expectations" and manipulating draft appraisals to ensure that the desired ranking of staff is achieved before the appraisals are finalized.

The performance appraisal process that GAO goes through each year is widely disliked by managers and staff alike.

Moreover, while the performance appraisal system is unfair and inequitable for employees of all types throughout GAO, there is strong evidence that African-American employees may have suffered disproportionately because their appraisal scores are statistically significantly lower than those of other groups. Because performance appraisals were such a significant factor in the reclassification of staff, we believe that African-American employees may have been more adversely affected by the Band II split than employees in other groups. This result is of particular concern, in light of the fact that the Comptroller General received ample cautions and advice from the Blacks-In-Government, GAO Chapter and the Comptroller General's own Employee Advisory Council, of this potential adverse impact, but chose to proceed with the Band II restructuring as planned.

A third new criterion used to determine where staff would be placed in the Band II split was the risk level of engagements. GAO management assigns one of three risk levels—low, medium, and high—to each engagement and requires that engagements with medium and high-risk levels receive more scrutiny by management than low risk engagements. A primary factor used to determine the risk level of an engagement is the political sensitivity of the topic. Low-engagements can be difficult and complex, but they are less likely to deal with hot topics in the news. In the criteria established for the Band II split, GAO management asserted that only those analysts who had been in the role of Analyst-in-Charge for engagements classified as high or medium risk could be placed in the Band IIB. GAO staff did not understand why employees

4 *GAO Analyst and Specialist Performance Management and Appraisal System, Performance Standards Workshops, Participant Manual,* August/September 2003, p. 51.

should be penalized if they chose—or were asked by management—to lead engagements on subjects that were not currently a hot news topic but were difficult, of significance to our nation, and of interest to the members of Congress who requested the engagements. Staff repeatedly expressed their concerns to management that risk level was not a valid criterion for the Band II split, but management chose to disregard their views.

Applying the new criteria, GAO management placed in the lower Band IIA many highly skilled and experienced staff who had frequently or exclusively carried out the role of Analyst-in-Charge. GAO's restructuring efforts also placed in the Band IIA highly respected staff who were performing roles that, prior to the Band II split, had been considered of high value. For example, several well-respected senior staff who had taken positions in the Professional Development Program (PDP) as advisers to new employees were summarily placed in Band IIA because they had not been performing the role of Analyst-in-Charge while they were PDP advisors. As if to advertise the arbitrariness of its original placement decisions, after the split, GAO management announced that all new candidates for the PDP advisor positions must be Band IIBs or Band IIIs. Another group of employees who were summarily placed in Band IIA without any scrutiny of their individual contributions were the Communications Analysts. Communications Analysts work directly with Directors, Band IIIs, Analysts-in-Charge, and other team members to help write GAO reports to make sure the message is clear and well-supported. Communications Analysts play different roles across mission teams, but some perform very sophisticated work, including substantially revising or writing reports, testimonies, and speeches for their supervisors. Management has never clarified why it thought all Communications Analysts should be placed in Band IIA regardless of the functions they performed.

After employees were told about their placement in the Band II split, employees were given 30 days to contest the decision. Twelve senior employees filed complaints with GAO's Personnel Appeals Board (PAB) contesting their placement in Band IIA, and the PAB General Counsel supported them with a strong brief contending that their placement in Band IIA had been unlawful. At the same time, another group of 30 or more employees filed complaints about their placement with GAO's Office of Opportunity and Inclusiveness. Last month, GAO settled the 12 cases that had been filed with the PAB. Although GAO stipulated that the terms of the settlement must be confidential, it is our understanding that, in return for withdrawing their complaints from the PAB, GAO agreed to place each of the 12 complainants in Band IIB and to retroactively adjust their pay to the level it would have been if they had been placed into Band IIB at the time of the split. We believe that the settlement demonstrates that GAO did not want to undergo a public hearing before the PAB on the criteria and processes used for the Band II split and had a reasonable expectation that if such a hearing were held, GAO would lose. While we are happy that the 12 who filed cases with the PAB were made whole by the GAO settlement, we are concerned that the many other employees who had their pay frozen and were, in effect, demoted unfairly as a result of the Band II split have received no remedy. Over 200 more employees have recently petitioned the PAB seeking remedy for their loss in pay. We do not know the status of these petitions or of the complaints filed with GAO's Office of Opportunity and Inclusiveness or the process being used to address them.

The terminology GAO management uses to describe the Band II split raises concerns for the future. GAO management insists that no employee's pay was cut as a result of the Band II split, in spite of the fact that salaries were frozen and therefore were reduced in real terms.[5] GAO management insists that the Band II split resulted in "placements," not promotions or demotions. Since the original Band II split, GAO has advertised a limited number of Band IIB positions, allowed employees to apply for the positions, and selected employees to fill the positions from best qualified lists. The process that it used to fill these positions is the same one it uses to promote staff. Nevertheless, GAO management says those selected for Band IIB are not receiving promotions, and in the placement do not receive pay increases, although they will fall under a much higher pay cap. Because placements are, presumably, not covered by due process rules that would apply to demotions, many Band IIBs are concerned that management's terminology signals its intention to move some Band IIBs back to the Band IIA level at some point in the future based on their performance appraisals or some other criteria.

Conclusion

In conclusion, the invalid process used for the Band II split and the denial of annual pay adjustments to staff performing at the meets expectations level and well above that level, contrary to repeated promises made by the Comptroller General, indicate that the Comptroller General has too much discretion under the GAO Human Capital Reform Act of 2004. Also, the Comptroller General has not complied with provisions of the Act requiring accountability measures to ensure that the performance management system is fair, credible, and equitable. We ask you to consider

5 In GAO reports, it is common to adjust dollar amounts to control for the effects of inflation over time. It is highly likely that, if Congress chose not to take inflation into account in setting GAO's annual appropriation, the Comptroller General would consider that the agency had received a budget cut.

repealing or substantially revising the authority given to the Comptroller General under the Act. We also ask that you decline to provide the Comptroller General any additional discretion over personnel policy at the agency, such as discretion to set Reduction In Force (RIF) rules independent of OPM rules. We ask that you consider requiring an independent review—a review not controlled by GAO—of the criteria and processes GAO management used to implement the Band II split. This will need to be done by an independent outsider. GAO's Office of Inspector General (OIG) cannot be tasked with this review because it is an administrative office created by the Comptroller General, has no independent authority.

GAO employees are now looking forward to having an expeditious election to obtain union representation. The Comptroller General has made statements to the press that suggest he plans to work to minimize the number of employees who can be represented by a union. In particular, his staff have, at times, suggested that Band IIB employees are not entitled to union representation because they are allegedly "supervisors." The term "supervisor" under GAO Order 2711.1 refers to the type of responsibility exercised by GAO's Designated Performance Managers, not the job duties GAO requires Band IIB employees to perform. GAO staff, including all Band I, Band IIA, and Band IIB staff deserve union representation. A union will give the employees an organization with legal standing to represent their interests and obtain a binding contract to ensure that management cannot change conditions of employment without prior notice, full disclosure and good faith negotiation. A union will provide a much needed safeguard against arbitrary and unfair treatment. Most importantly, a union will bring GAO employees to the table as equal partners with the Comptroller General in the creation and implementation of personnel management at GAO.

GAO employees working to form a union share a common goal with GAO management-- to effectively, efficiently, and reliably carry out GAO's mission on behalf of Congress and the taxpayer. Moreover, GAO employee shares many of the core principles of personnel management articulated by the Comptroller General. Unfortunately, these employees have been subjected to personnel management policy changes that suffer from significant shortcomings, as today's proceedings clearly demonstrate. Nevertheless, we do not believe that these inequitable, ill-advised, and at times arbitrary outcomes were intended by the Comptroller General when he undertook personnel management change at GAO. Instead we believe these shortcomings are directly attributable to flaws in the deliberative processes that led to the changes. Had GAO employees had union rights during the formulation and implementation of these changes, we believe the results would have met GAO's analytical standards for accountability, integrity, and reliability. We believe that working together GAO employees and the Comptroller General can create a personnel management system that lives up to their common principles and the agency's aspiration to be a model federal workplace. When GAO's employee union is certified, its representatives will seek a positive, productive working relationship with the Comptroller General and his management team so that, together, they can identify effective approaches to face GAO's current and future challenges, in the best interest of Congress and the taxpayer.

I want to thank you for holding this hearing and giving me the opportunity to speak on behalf of GAO employees.

Mr. DAVIS OF ILLINOIS. Thank you very much.

We will proceed to Ms. Reece.

STATEMENT OF JANICE M. REECE

Ms. REECE. My name is Janice Reece. I was the General Counsel for the Personnel Appeals Board from 1999 until my retirement in 2005, and my experiences during that period form the basis of my comments today.

GAO made many promises to its employees and Congress in order to obtain the personnel reform authority of the Flexibility Act of 2000 and HC II. These promises have already been discussed here today, and I will not address them in my comments here.

Instead, I will limit my oral comments to a matter that I believe is crucial to the implementation of GAO's personnel reforms, that is, GAO's commitment to provide employees adequate and meaningful rights to appeal actions taken by GAO, personnel actions taken by GAO.

The significant personnel reforms implemented by GAO caused uncertainty and confusion among its employees and managers alike. The subjective nature of many other reforms including the new performance appraisal system has given rise to concerns from many employees about the fairness of decisions made under the new scheme. Despite this, GAO has not seen fit to increase resources for the processing of internal employee complaints, particularly discrimination complaints.

The lack of resources for the operation of the civil rights office or the Office of Opportunity and Inclusiveness has created substantial delays in the processing of EEO complaints. Employees had difficulty starting the complaint process and for those who were lucky enough to get a complaint filed, their complaints lingered for years without the issuance of a final agency decision with some employees not getting a final agency decision at all.

The delays and unresponsiveness of the office caused many employees to inform me that they wanted to forego their claims of discrimination completely. GAO's failure to address these problems compromised the availability of this very important form of employee appeal.

Also, GAO's failure to take steps to ensure the independence of the PAB has compromised the integrity of that employee appeal process. GAO's appointment of GAO board members and its funding of PAB operations presents the appearance at least of a conflict of interest. While this alone has raised employee concerns in the past, the practices adopted by the board itself add to the concerns that employees are not receiving a fair and unbiased assessment of their claims.

The board's personal interest in ensuring its continued existence has led it to implement a number of initiatives aimed at ensuring an active adjudication docket. The most important of these initiatives has been the complete control of the operations of this Office of General Counsel. It has unilaterally, without the consultation with PAB General Counsel, implemented procedures that limit investigations, employee access to information obtained during investigations and employee access to informal advice.

At the same time, the procedures give the board significant input and access to PAB, OGC, its General Counsel's Office investigations and prosecutorial decisions. This control not only represents a direct conflict of interest between the board's adjudicatory function and the PAB General Counsel's investigative and prosecutorial responsibilities, it compromises the integrity of the General Counsel's investigations and prosecutions decisions as well as any decision issued by the board in connection with cases brought before it for adjudication.

There is a real danger that the board's close connection with GAO will adversely affect employee appeals at the PAB.

During my tenure with the board, I was not aware of any efforts of GAO to restructure the board to avoid these problems or to undertake a comprehensive review of the internal processes of the board to determine whether it was meeting its responsibilities under pertinent statutes.

Instead, the board has been allowed to operate with no oversight from anyone. Such lack of accountability has given rise to a number of questionable practices including socializing with GAO officials who might find themselves involved in investigations by the PAB and General Counsel and the lack of a requirement that the board members report their non-PAB activities or employment.

It is time for Congress to take a serious look at the employee appeal avenues afforded to its employees. The lack of commitment and resolve by GAO to afford its employees the same rights as those enjoyed by employees in executive branch agencies, most importantly the right to unbiased and fair processing and adjudication of complaints, must not be allowed to continue.

Thank you for this opportunity to talk to you today.

[The prepared statement of Ms. Reece follows:]

HEARING BEFORE THE HOUSE SUBCOMMITTEE ON THE FEDERAL WORKFORCE, POSTAL SERVICE, AND THE DISTRICT OF COLUMBIA AND THE SENATE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA — *GAO PERSONNEL REFORM: DOES IT MEET EXPECTATIONS?*

WRITTEN TESTIMONY OF JANICE M. REECE

Introduction

My name is Janice M. Reece. From March 1999 until December 2005, I served as the General Counsel for the Personnel Appeals Board (hereinafter "PAB or Board"). In that capacity, I became familiar with the personnel reforms implemented by GAO after the enactment of the *GAO Personnel Flexibility Act of 2000* (hereinafter "Flexibility Act") and the *GAO Human Capital Reform Act of 2004* (hereinafter "Reform Act"). This statement represents my personal views and opinions about procedural methods used by GAO to implement those personnel reforms and the effectiveness of the appeal mechanisms available to GAO employees in light of those reforms.

GAO Did Not Implement Its Personnel Reforms According to Its Promises and Congressional Expectations

In 2000 and 2004, Congress granted the requests of the Comptroller General of the United States (hereinafter "CG") for broad authority to overhaul and reshape its personnel management system. The Flexibility Act and the Reform Act gave the CG the authority to, among other things, promulgate new rules relating to reductions in force (wherein performance would be a primary factor in determining which employees would be let go in a reduction in force), promotions, and pay increases. Under the provisions of the Reform Act, GAO employees were no longer subject to the annual cost of living increases authorized by the Office of Personnel Management (hereinafter "OPM"); instead, the CG was given authority to set the level of annual pay increases (including cost of living increases) for GAO employees. Further, as a result of the Reform Act, the pay system for non-analyst/auditor employees was changed from the general schedule system to a merit pay system. This broad authority was granted, in part, based on GAO's assurances and Congressional expectations that the overhaul would be undertaken fairly (within the bounds of the merit system principles), gradually, and in partnership with employees. Specifically, Congress stated that "it is essential that the Comptroller General consult with employees concerning plans for the implementation of the legislation in advance of issuing proposed orders or regulations for comment" and "[b]road consultation with officers and employees should be continued at each stage of the legislation's implementation." *See Legislative History of the GAO Personnel Flexibility Act of 2000* (H.R. 4642, 146 Cong. Rec. H7799, 7803)(2000).

GAO took several steps to sell its requested reforms to GAO employees. GAO made a number of pronouncements (some written, some oral) touting its new human capital authority as the means necessary to make GAO a world-class organization and an example to other governmental agencies. Employees were told that the new scheme would be transparent, would provide more opportunities for recognition and advancement, and would not result in a reduction in pay for any employee whose performance was rated at the "Meets Expectations" level or above. Further, GAO established its own employee group, the Employee Advisory Council (hereinafter "EAC"), which included both employee and management representatives who were initially appointed by the Comptroller General and later elected. The EAC was made the exclusive mechanism through which the CG and GAO employees communicated. Representatives from many of the existing employee groups, such as Blacks In Government and the Hispanic Liaison Group, were also included as members of the EAC. For the most part, GAO employees seemed to embrace the CG's initiatives and were optimistic about the prospect of working together as partners with the CG to develop and implement the new personnel reforms.

However, that optimism gradually changed after Congress granted GAO's legislative requests. GAO moved swiftly to completely overhaul its performance appraisal, promotion, and pay systems. Despite its promises to Congress, GAO did not reveal its plans to implement the legislation to employees until the proposed regulations were issued and published for comment. Often, because of the haste with which the new regulations were promulgated, GAO was forced to amend various regulations several times during a fiscal year. These frequent revisions caused confusion among employees and managers alike as to which version of a regulation was applicable during any given period. Some of the regulations, such as the pay increase regulation, were general in nature and were later supplemented by the issuance of guidances, which contained more detailed information about the actual processes to be used. GAO employees were not routinely given an opportunity to comment on these guidances.

Not only did GAO fail to consult with employees about its reform initiatives, but it also failed to give its employees adequate and meaningful opportunities to comment on proposed regulations that purportedly implemented the Flexibility and Reform Acts. By statute, GAO is obligated to afford notice and opportunity to comment in the development of its regulations. 31 U.S.C. § 732(a). Although this obligation does not contemplate a requirement that GAO publish its personnel regulations in the *Federal Register*, it does indicate Congress' intent that employees receive adequate notice of significant changes in the terms and conditions of their employment. There can be no doubt that the proposed regulations issued by GAO in connection with the personnel reform authority represented significant changes in the terms and conditions of GAO employment. Yet, GAO employees were initially provided only 30 days within which to comment on proposed regulations — the same time period provided for comment on proposed regulations before the passage of the Flexibility and Reform Acts. The PAB's Office of General Counsel (hereinafter "PAB/OGC") repeatedly urged GAO to provide longer comment periods to allow GAO employees an adequate opportunity to consider, discuss, and seek additional clarification before submitting comments. This was especially important where the proposed regulations were lengthy, interwoven with other regulations, and subject to frequent revisions. Although, GAO increased the comment period on a few of its proposed regulations to 45-60 days, the increased comment period was not routine and the criteria it used to decide whether a proposed regulation merited a longer comment period were not revealed.

In addition, GAO failed to "follow the best practices of regulatory agencies in regards to summarizing and responding on the public record to significant comments received." *See Legislative History of GAO Personnel Flexibility Act 2000* (H.R. 4642), 146 Cong. Rec. H7799, 7803 (2000). Although GAO, at times, revealed that comments had been submitted on its proposed regulations, the comments were never summarized or responded to on the public record. Nor was it GAO's practice to acknowledge receipt of comments. On or about 2003, GAO began using a computer-based system by which employees could submit comments on proposed regulations. However, the system apparently had no mechanism for the acknowledgment of receipt of comments.

Together with the speed with which GAO implemented its personnel reforms, the lack of meaningful opportunities to consider and comment on proposed regulations placed GAO employees at a severe disadvantage in the process. Many employees became disillusioned with the concept that they could be partners in the development and implementation of the reforms and, instead, believed that they were merely pawns on GAO's chessboard. As a result, morale quickly deteriorated.

GAO Did Not Provide Adequate Resources/Safeguards To Insure Fair And Unbiased Processing and Adjudication of Employee Appeals

The drastic and rapid changes in GAO's personnel rules and working conditions after the enactment of the Flexibility Act and the Reform Act precipitated many questions from employees particularly regarding employee rights to challenge personnel actions, both formally and informally. At the time that the personnel reforms were being implemented by GAO, two primary internal appeal processes existed for GAO employees who wished to challenge personnel actions: the grievance procedure and the discrimination complaint process. Remarkably, GAO did not find it necessary to revise any of these appeal mechanisms to comport with the severity, complexity, and newness of the personnel reforms GAO had undertaken. Furthermore, GAO made no efforts to increase the staff resources for the processing of discrimination complaints or grievances. For example, prior to 2000, GAO had only one EEO counselor to serve its entire staff population (more than 3000 employees) and the Civil Right Office (the unit responsible for processing EEO complaints) had a staff consisting of no more than five employees. These staffing resources remained the same after the enactment of the Flexibility Act and the Reform Act. The resources of the Civil Rights Office were so inadequate to provide service to these employees that there were substantial delays in the processing of EEO complaints; some complaints lingered for years without a final agency decision; some employees never received final agency decisions at all. Many employees elected to forego their claims of discrimination completely because of the unresponsiveness of the office. GAO's failure to remedy these problems seems to indicate its lack of commitment to or interest in employee appeals.

Other problems arose in connection with the PAB. Congress established the PAB in 1980 to act as a body to adjudicate disputes, issue decisions, and where necessary, order corrective or disciplinary action in cases involving prohibited personnel practices, unlawful discrimination, and prohibited political activity involving employees of GAO. The PAB's authority combines the adjudicatory functions of the Equal Employment Opportunity Commission (hereinafter "EEOC"), the Merit Systems Protection Board (hereinafter "MSPB"), and the Federal Labor Relations Authority (hereinafter "FLRA"). The purpose for the establishment of the PAB was to provide GAO employees with all the rights enjoyed by employees in the Executive Branch. PAB board members are appointed by the CG to 5-year terms and serve as judges in hearings on employee appeals. The PAB General Counsel, who is appointed by the Board chairperson, is, by statute responsible for investigating claims of prohibited personnel practices, discrimination, prohibited political activity, and any other matter under the Board's jurisdiction. By regulation, the PAB General Counsel must offer to represent an employee in a hearing before the Board, if he or she finds (as a result of information obtained during the investigation) reasonable cause to believe that the employee's rights had been violated. As with its internal appeal processes, GAO has not undertaken to amend the PAB enabling statute or sought changes to the PAB procedural regulations since obtaining its personnel reform authority.

Although the PAB process may appear laudable on paper, it is fraught with problems that severely diminish its effectiveness and compromise employee appeal rights. First, the formal appeal process provided by GAO through the PAB does not afford the independence of the formal appeal processes in Executive Branch agencies. Unlike the members of the EEOC and the MSPB, members of the PAB are appointed by the very agency whose personnel actions are adjudicated by the PAB. Further, unlike the EEOC and the MSPB, the PAB does not receive separate funding from Congress for its operations. Instead, GAO provides the funds necessary to run the Board (rent for office space, furniture, equipment, salaries for staff and Board members, supplies, travel, and other necessary expenses). Not only does this close relationship and dependence give rise to the appearance of and potential for conflicts of interest, but it also raises doubts as to whether GAO employees are indeed receiving the same rights as employees in the Executive Branch.

Further, the intimacy between the Board and its General Counsel presents an even more serious problem. Over the years the Board has become more and more involved in the investigative and prosecutorial functions and duties of its General Counsel. The Board controls the staffing and funding of PAB/OGC (including supplies, equipment, staffing levels, staff pay and promotion, travel, and training), and exercises considerable control over the investigation of charges filed by employees as well as the General

Counsel's prosecutorial decisions. For example, the Board has set policies for the investigation of cases filed with and the prosecution of claims by PAB/OGC without consultation with its General Counsel. The Board has also required its General Counsel to provide a detailed monthly status report that includes each and every step taken in the investigation of every case. The report is subject to review and comment by the Board. In addition, the Board appointed its executive director to serve as acting general counsel after my retirement and, based on information and belief, she continues to serve in that capacity when the current General Counsel is out of the office.

The Board's control over the functions of PAB/OGC represents a direct conflict of interest between the primary function of the Board — adjudication — and the primary functions of the General Counsel — investigation and prosecution. The Board's involvement in the investigation of claims and prosecutorial decisions compromises the integrity and independence of PAB/OGC functions as well as the integrity of any decision issued by the Board in connection with cases brought before it for adjudication. The involvement of the Board's executive director in these matters taints the adjudicatory process because she and her staff are routinely intimately involved in the adjudication of cases before the Board, including the preparation of Board decisions. While it is possible that such an intimate process could inure to the benefit of some employees, it is equally possible that it could work to their disadvantage, especially in light of the close connection between the Board and GAO.

In addition, the Board's personal interests can pose a conflict with its statutory obligations and the interests of justice. The Board has a personal interest in ensuring that more cases are not only filed but also litigated at a hearing since its pay is directly tied to the amount of work (*i.e.*, adjudications) it performs. Similarly, the Board has expressed a concern that GAO will abolish the PAB unless the Board has an active adjudication docket. Its control over the General Counsel's office can be used to achieve these goals by influencing prosecutorial decisions. Since these personal interests contemplate litigation and not outcomes, GAO employees can again find themselves cast in the roles of pawns, but this time on the PAB's chessboard.

Further, the Board does not provide adequate access to GAO employees who wish to obtain informal advice. Because of GAO's drastic personnel reforms, it is more and more important that employees have a place where they can obtain unbiased, independent advice on their appeal rights. Such advice is often needed quickly, when time is of the essence, and, if given, can help an employee identify appropriate courses of appeal in time to meet applicable filing deadlines. Although GAO refers employees to its Human Capital Office for such advice, employees are understandably reluctant to either consult with that office or to take the advice given without obtaining a second opinion. The PAB's procedural regulations provide that employees may seek such advice from the Board's General Counsel. However, the Board has restricted employee access to the General Counsel for such advice in various ways, including requiring employees to submit a written request for informal advice, suggesting that employees obtain such advice by filing complainants with the General Counsel, and limiting the ability of the

General Counsel to give such advice if the Board determines that the General Counsel does not have the time to respond. At the same time, the Board has not developed an alternative method by which GAO employees can obtain the advice they seek. This policy is again inconsistent with the access available to Executive Branch employees at federal appeal agencies such as the EEOC and the MSPB. Each of these agencies regularly makes staff available to answer questions from employees on appeal right. By failing to provide this service on a regular and consistent basis, the Board has denied GAO employees the same rights enjoyed by Executive Branch employees.

During my tenure with the Board, I was not aware of any efforts by GAO to restructure Board to avoid these problems. Nor did GAO undertake a comprehensive review of the internal processes of the Board to determine whether it is meeting its responsibilities under pertinent statutory provisions. Instead, the PAB has been allowed to operate with no oversight by anyone — the CG, GAO, employees, or Congress. Although the Board issues periodic annual reports (the annual reports are not always issued annually), they include very little information about Board and staff activities and no information about its financial expenditures. The Board does not routinely schedule public meetings or publish minutes of regular Board meetings. Furthermore, the non-PAB activities and employment of Board members are not publicly reported, even those that may pose a conflict with their positions on the Board and, thus, compromise the rights of GAO employees to a fair adjudication of their claims. The Board's autonomy is indeed an anomaly especially at an agency such as GAO where accountability is literally its middle name. By failing to hold the PAB accountable, GAO has again demonstrated its lack of concern for employee appeal rights.

Conclusion

GAO has not fulfilled its promises or Congressional expectations in the implementation of its personnel management reforms. It did not consult with employees about its plans to implement the legislation until after the draft regulations were published and issued for comment and did not provide employees with adequate and meaningful opportunity to comment on the proposed regulations once issued. In the atmosphere created by the massive and drastic changes in GAO's personnel management system, GAO has neglected to provide adequate resources to ensure that GAO employees have meaningful access to internal GAO appeal processes. Further, it has not taken steps to ensure that the PAB provides a fair and independent appeal process to its employees. By not providing these fundamental things, GAO has denied its employees the rights they are guaranteed by Congress.

Mr. DAVIS OF ILLINOIS. Thank you very much. I really want to thank all three of you and appreciate the fact that you are still here.

Ms. Reece, perhaps I could begin with you since you raised the issue of discrimination complaints. I get more of those as chairman of the subcommittee than any other kind of complaint, and it is really somewhat perplexing. I could actually spend all of my time just trying to deal with discrimination complaints that I get and do absolutely nothing else, and I still wouldn't feel that I had adequate time to try and sort out and deal with what people are coming with.

How effective do you think the appeal board is in terms of its structure and what it deals with to help prevent or handle some of these complaints, this type of complaint.

Ms. REECE. First, I think I would like to give a little of background. Before an employee can bring a discrimination complain to the Personnel Appeals Board, they must exhaust administrative remedies, thereby going to the Office of Opportunity and Inclusiveness and filing a complaint. They don't have to keep it there if after 120 days, I believe it was when I was there, 120 days, they haven't received a final agency decision.

They can then appeal it to the Personnel Appeals Board's General Counsel's Office or go to district court and file a claim in district court.

The claims of discrimination that were filed with the PAB General Counsel's Office during my tenure there were handled in the same way that we handled other investigations, that we sought information and we tried to get as much information as we could because, as you probably are aware, discrimination claims are not always just cut and dry. So you do have to try to delve in to try to get information.

After that, if after our investigation we found that there was reasonable grounds to believe that discrimination had occurred, then we would offer to represent the employee or give the employee then the right to go to district court and file in district court and avoid, not have to go through the Personnel Appeals Board hearing process. But if they chose, we would go through the process.

In and of itself, the claims, the handling of the claims of discrimination at the Personnel Appeals Board, of course, they are handled on an individual basis, and so during my tenure we did not have any class actions or anything there although the board has a procedure for that.

But the board also has authority to conduct oversight. If you are looking for, in terms of a broad, a broader kind of focus in terms of discrimination, the board has the authority to conduct oversight studies on issues relating to EEO discrimination. They can select. They can gather information form GAO and make its own assessment as to what GAO has done and make recommendations to GAO for corrective measures.

Mr. DAVIS OF ILLINOIS. Let me ask you, Dr. Seltser. Could you explain the Standardized Rating Score?

Mr. SELTSER. I am not sure what I did to deserve that question, Mr. Chairman. [Laughter.]

The underlying assumption of using something like a Standardized Rating Score, in my view anyway, is that when you find differences on the way ratings are given across different units, different averages, for example.

So you may look at one unit in an organization that, let us say, has an average rating score of 20 and another unit that has an average rating score of 15. If you assume that those differences are due to differential practices in rating, that one unit, for example, tends to simply rate more easily than another unit, so that if they had the same staff with the same experiences and the same performance, they would be giving higher ratings to those same people than the other unit.

If you accept that assumption, then something like the Standardized Rating Score is a way to try to control for that. All it is doing is it simply looks at what the average rating scores are for those two units, looks at the way the scores are distributed within the units and attempts to sort of control for those factors.

So the idea is that you want to, you would be able to then say that let us say Person A has a rating score of 25, but their average in their unit may be 20. Someone in another unit has a score of 25, but the average in their unit is 30. So standardizing the scores in that way allows you then to compare people in a way that takes into account what their relative placement is within their particular unit.

The difficulty that I have with this is precisely in the assumption that I just stated. I don't believe, at least I wasn't aware when I was at GAO, that there was any evidence that whatever discrepancies there were in assigning rating scores was simply due to the fact that one unit tended to rate more easily than another unit.

My own view was that there may have been some of that was going on, but there was also a lot of discrepancy that would happen within that particular unit in terms of people rating differently. And, even more significantly I think, there was no evidence that, in fact, the actual performance and skill levels of people in all of these different 13 teams were, in fact, equivalent.

If they are not, in fact, equivalent, if you really do have a situation which for a number of different reasons certain teams simply have stronger performers at a given time, and that can change over time, from year to year. There are a lot of reasons that happens in any organization. Units get reputations. Units are doing different kinds of work. They attract different kinds of staff. They spend more or less attention to recruitment. For any of those reasons, you can end up with a situation which frequently, I believe, does occur, that certain units simply have stronger performers.

My view is a pay for performance system ought to be able to reward people who are the better performers, not simply the people who are better relative performers in their units. So I would challenge the underlying assumption of creating those kinds of SRS scores. But that is at least what they are intended to do which is to take into account those kinds of differences in rating tendencies that may occur across groups.

I don't know if that helps or confuses things even more.

Mr. DAVIS OF ILLINOIS. I think it helps me a great deal actually, especially the conclusion that you reach relative to who should be rewarded and why, and I appreciate.

We have also been joined by Representative Issa from California, and I am going to yield to him at this moment for any questions that he would like to ask.

Mr. ISSA. Thank you, Chairman. I think timing is everything. [Laughter.]

Virtually, 15 minutes is an eternity when you are in our position.

Dr. Seltser, I am concerned that government in general has had a mixed history of pay for performance.

Many years ago, the military went through a series of rating changes. One of them that I would like to ask you about was they normalized all the raters and endorsers based on their numeric evaluation. So over a period of time, and this is one of the success stories in my opinion. Over a period of time, they normalized somebody who decided to give all of his or her subordinates 100's. If you gave everyone 100's, over time, what you were giving them was a 50.

It did force a critical eye toward, at least digitally, the haves and the have nots, the make the grade and not make the grade. When you are looking at lieutenants, captains, majors, colonels, that is the question you are asking. Do you want this person to get promoted and eventually be at your rank or not?

You were talking about elements that you are concerned about, isn't that an element that must be involved when you have a rating system, an evaluating system that turns into either promotion or money?

Mr. SELTSER. Yes. I think the difficulty or one of the difficulties in determining again to what extent those differences that you may get between raters are due to the different staff that those particular raters have.

I think that takes a lot of time and up-front effort in developing a system to do enough testing of the reliability of how the scores are assigned. I think the kind of effort you are talking about, it seems to me is necessary. You want to be able to identify people who tend to rate the same person more highly than someone else who would rate that person.

There are ways. Social scientists have been doing this for years. There are ways of doing this kind of testing to try to determine that and tease that out. The problem is if you don't do that effectively and, to my knowledge at least, GAO didn't do that in building and designing and then implementing the system, then you have no way of knowing whether the discrepancies between raters or between units are due to actual differences in staff performance or due to the way that the raters tend to operate.

Mr. ISSA. So if I hear you right, one of the problems for the GAO is not coming up with a system for evaluating units.

Going back to the military example, the military is very good at evaluating units. Are you mission-ready? Are you combat-ready? What did you get on your annual this or that? What did the IG say? In a sense, the military is all about testing, fitness.

Is that essentially what you are saying is the most important missing component, some sort of unit normalization score?

Mr. SELTSER. No. My view would be that they have a unit normalization score which is the way the SRS actually functions.

What I am questioning is both for the reason I already indicated. Is that the right comparison group to use for an individual as opposed to performance across the whole organization?

It would be if, in fact, you believe that performance is equally distributed across every group in GAO. Therefore, you would want to standardize for any differences that you might find with groups, between different groups. But, as I said, I am not sure there is any evidence for that.

The other problem that I want to just mention which——

Mr. ISSA. But can you say categorically that if you are the shining star in a dead organization under this system, that is the right place to be if you want to get pay and promotion?

Mr. SELTSER. Yes. I actually, as a manager, would have very difficult conversations with staff in my group who were very, I thought very good performers, working very well, making major contributions to the organization but who, because the group I was managing was a very strong group, ended up in the bottom half of the rating distribution.

When someone would ask me, what can I do to pull that up, obviously there is coaching. There are ways of improving, but the danger then is everybody else in the group is also going to get better and your relative placement may not change.

I actually found myself saying occasionally to very good staff: I want you to stay here, but frankly if what you are saying is the only thing that is going to really give you job satisfaction is becoming a star, find the weakest unit in the organization. I think that is a real disincentive.

It is also a disincentive in terms of trying to get teamwork within the unit because it really does very explicitly place people in a much more competitive kind of situation against each other, the other people in their units, and you want people at a place like GAO to be able to coach each other, to help the other person improve. The danger is if I help my colleague get better and get a higher rating score, I then slip down more in the relative distribution.

So I am not saying that this isn't something to look at, but I just think the way GAO has implemented that with that set of assumptions is, in my view, a much too rigid kind of way and has some of these real deleterious consequences.

Mr. ISSA. I guess I will make one closing question. Forgetting about what they have done so far, do you believe that a system can be devised that only awards pay for performance if you have both in place, a unit individual who truly is exceptional and performance at the unit level? Meaning if a unit performs badly, how well do we want to reward people who are in it based on some anecdotal they are wonderful people in a bad job?

Isn't the system that we want to have one that says we want to rewards units that are performing well in greater amounts than units who are performing poorly as the private enterprise does and then the superstars within organizations do even better than the mean of that organization? Is that essentially the snapshot where we need to get to and do you believe we can reach it?

Mr. SELTSER. Yes, I think that is the goal.

One of the steps, and GAO has to its credit started to do some of this, is think in terms of team awards much more frequently rather than just individual rewards because the issue of performance.

You mention the two types of performance. There is really the performance of the unit. Then there is the performance of the individuals within the unit. I think you need to be focusing on both of those and make a determination about which gets the bulk of the money and the financial kind of rewards.

I think it is possible to move toward that kind of system, but I think it requires much more flexibility and, to some extent, more trust of managers to look at their own unit and make some of these determinations about what is the skill level and the accomplishment level within the organization and not have the organization as a whole necessarily assume that is fixed across all of the units.

Mr. ISSA. I guess for anyone else who wants to comment, I would also say and how do we protect the taxpayers from this being an everyone succeeds, the money just keeps going up?

I agree with you that is how private enterprise does it, but we know in private enterprise when a company is losing. We don't always know it right away. Sometimes the stockholders take a while to figure out the bonuses versus the performance don't match, but in time they do find it.

Mr. JUNEMANN. I can trip over this, I guess. Coming out of the private sector, our union, we represent engineers, technicians working in private industry who are part of pay for performance systems. Some have even insisted on that over the years, that they want this. Rather than getting across the board increases, they insist that we maintain a pay for performance system as part of their collective bargaining agreement.

Mr. ISSA. Kind of like when Chrysler came out of bankruptcy.

Mr. JUNEMANN. Yes, yes. Well, in fact, at United Airlines, just recently, about 4 years ago now, we organized the engineers at United Airlines when they were in bankruptcy, and they actually had me guarantee them as president of the union that if they were successful in getting a union, that we would work to getting them a pay for performance system as part of their contract.

Mr. ISSA. Did they hold you accountable?

Mr. JUNEMANN. Yes, yes, and we did. We got a contract, and it is smiles all around especially with United management.

In any event, so they are the same thing. The engineers, they can do work that isn't necessarily measurable, though, on the profitability, right, and even with departmental level.

So I don't think. I mean as part of a pay for performance system, you don't want something where—you can't have it where everybody wins because I think that is your question. We don't want to put something in here within GAO that we say, well, everybody automatically advances because then you just get away from the whole premise of pay for performance.

I am bothered with this system that they have in place just from the back and forth you just had with Dr. Seltser, Congressman, that if they put in this 50th percentile measurement where just that, that everybody over the 50th percentile is entitled to increases and those below, I guess, get COLA or wherever they fall. It tends to destroy teamwork in a lot of ways in an agency where teamwork, I think, is essential in working in some of these engagements where you have teams of analysts and accountants and auditors working on something.

Second, I think another part of this that is bothersome is that there is suddenly a primary factor in evaluating an employee, the risk level of the engagement. From what I am told by people smarter than me sitting behind me, that some of these low level or say low risk engagements are incredibly complex and difficult. Yet, they won't lead a person, say, to go from Band IIA to Band IIB. They have to be working on high or mid-level risk level things.

So what happens there in a pay for performance system is you lose the opportunity to advance, and that is essential.

I worked for an employer that we made parts for the space shuttle. We made parts for jet engines and other sort of hot and sexy items, and we also made things for farm equipment, earthmoving equipment. You could have crackerjack engineers working on the latter categories, and they didn't seem to be worth quite as much, but they were doing—to your other question—they were doing fantastic work in an element or in part of the industry that just wasn't very profitable.

Mr. DAVIS OF ILLINOIS. Thank you, Mr. Issa.

Mr. ISSA. Thank you, Chairman. I really appreciate your indulgence.

Mr. DAVIS OF ILLINOIS. We will have to bring this to an end. I want to thank everyone and we are adjourned.

[Whereupon, at 4:05 p.m., the subcommittees were adjourned.]

[Additional information submitted for the hearing record follows:]

ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Mr. Charles H. Fay. Ph.D
Chair, Human Resource Management Department
School of Management and Labor Relations
Room 216B, Janice H. Levin Building
94 Rockefeller Road, Livingston Campus
Rutgers University
Piscataway, New Jersey 08854

Dear Mr. Fay:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Dr. Charles Fay
Professor of Human Resources Management
Rutgers University School of Management and Labor Relations
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. I understand that you have expertise in pay for performance systems in addition to market based pay systems. Mr. Barry Seltzer, a former Government Accountability Office (GAO) employee who resigned over his concerns with the new GAO personnel system, testified that all seven competencies GAO analysts are rated on do not necessarily apply to all analysts. He notes that for some employees, it is important that they be excellent at written communication, but not necessarily at collaborating with others. If true, weighing each competency equally is unfair to those employees. What is you assessment of giving each competency the same value for every employee?

2. In your testimony you listed several significant problems you found with the GAO market based survey. Given your concerns, is there any way GAO can legitimately rely on the survey conducted by Watson Wyatt or should the survey be conducted again?

Questions for the Record

OGM Hearing on May 22, 2007

Senator Daniel Akaka

1. I understand that you have expertise in pay for performance systems in addition to market based pay systems. Mr. Barry Seltzer, a former Government Accountability Office (GAO) employee who resigned over his concerns with the new GAO system, testified that all seven competencies GAO analysts are rated on do not necessarily apply to all analysts. He notes that for some employees, it is important that they be excellent at written communications, but not necessarily at collaborating with others. If true, weighing (sic) each competency equally is unfair to those employees. What is you (sic) assessment of giving each competency the same value for every employee?

   I see two problems with equal weighting of performance dimensions for every employee: First, it is very unlikely that all seven dimensions of performance should be equally weighted for any employee. Every job has some areas that are critical and others that are less so. Without seeing the list of competencies I can't make a judgment about which might be more important, but in many years of doing research on appraisal (my dissertation is on performance appraisal) and consulting in the area I have rarely seen the claim that all performance dimensions are equally important for any job.

   The second issue, whether the same weightings should be used for all incumbents of a specific job title, is more difficult. Again, I have not observed what any GAO analyst incumbents do, so I cannot state categorically that weighting profiles should be equivalent across all analysts. Given the broad range of topics covered by GAO analysts and assuming that over a period of time analysts become specialized, it is very unlikely that it would be appropriate to have a single weighting profile that applies to all analysts. If analysts cannot be readily switched across project types with no diminution of performance then weighting profiles should be different. As an example, I might have an analyst who is excellent at analyzing IT projects. If I could not readily switch this analyst to a project analyzing some social service or the GAO compensation system or any of the other kinds of projects GAO analysts take on, it follows that there are different performance dimensions on each job. My expectation is that there are many different kinds of GAO analysts, who are lumped together for administrative convenience. Critical differences should be recognized in performance management. It may be that the "competencies" used in the GAO system are so generic as to be meaningless, in which case the weighting scheme is irrelevant.

I would add that many scholars consider "competencies" to be nothing more than traits, and like traits, unsuitable for use as performance criteria. Courts have consistently ruled that the use of traits in performance appraisal cannot be justified because of the likelihood of bias. Many human resource scholars expect the courts to make a similar ruling on competencies.

2. In your testimony you listed several significant problems you found with the GAO market based survey. Given your concerns, is there any way GAO can legitimately rely on the survey conducted by Watson Wyatt or should the survey be conducted again?

   Watson Wyatt did not conduct the survey (for analysts) itself. Instead it relied on a number of surveys from associations and smaller consulting firms. These surveys are so flawed (as is the way Watson Wyatt used the data) that I see no hope of massaging that data in any way to give useful, reliable results. Watson Wyatt (along with the other major survey firms like Mercer and Towers Perrin) is capable of developing and administering a survey that would provide useful and reliable data. If GAO wants to market price the analyst jobs a new survey is needed.

ONE HUNDRED TENTH CONGRESS

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Mr. Barry Seltser
327 Nevada St.
Newton, MA 02460

Dear Mr. Seltser:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Dr. Barry Seltzer
Former Director, Center for Design
Government Accountability Office
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. You were one of the 30 or so senior Government Accountability Office (GAO) managers who were responsible for describing GAO occupations and validating the matches of those GAO jobs to the occupations used by Watson Wyatt in its pay study.
    a. What is your opinion of that process?
    b. Do you believe that Watson Wyatt knew enough about the GAO jobs to do the job matches?
    c. What was your impression of the findings from the study? Were they scientifically valid?

2. The Comptroller General claims that employees were involved in the development and implementation of the new personnel changes. What is your view on the level of employee involvement?

June 25, 2007

The Honorable Danny K. Davis
Chairman
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
B349A Rayburn Building
Washington, D.C. 20515

Dear Chairman Davis:

I am writing in response to the two questions posed by Senator Akaka after my testimony on May 22. I hope these are responsive to the Senator's concerns. If there is other information you need, please let me know. Thank you.

Barry Jay Seltser

Question 1. "You were one of the 30 or so senior GAO managers who were responsible for describing GAO occupations and validating the matches of those GAO jobs to the occupations used by Watson Wyatt in its pay study. (a) What is your opinion of that process?"

I was only involved in two or three meetings with my Managing Director and two Watson Wyatt representatives. On the basis of those discussions, and of the timeframe within which the process occurred, I do not believe that Watson Wyatt was sufficiently informed about GAO culture or the specific sets of skills and abilities required for work by GAO analysts and specialists. The process appeared rushed, with very little involvement from other GAO staff who would be affected in significant ways by the decision. To my knowledge, Watson Wyatt did not conduct extensive interviews or focus groups with the wider analyst or specialist communities, nor did they observe meetings or review procedures that would have provided a fuller understanding of GAO processes. My impression was that they were under very tight time pressures to complete their work, and that the resulting comparisons may not have been adequately developed. In addition, I remained unclear about whether Watson Wyatt was asked to make an independent assessment of comparable pay, or whether they were asked to make sure that two levels of performance were identified in order to support the already preferred alternative of splitting the pay range for Band II staff into two levels.

"(b) Do you believe that Watson Wyatt knew enough about the GAO jobs to do the job matches?"

As I indicated above, I was not convinced that Watson Wyatt had a good understanding of GAO job requirements. In particular, on the basis of my limited involvement in the process, I felt they were insufficiently attentive to the enormous importance of interpersonal skills and collaborative abilities that were essential features of the work at GAO. Many consulting firms and other similar organizations may not depend as heavily on these factors. In the recruitment work I conducted for specialists at GAO, for example, I frequently found it very difficult to identify potential staff who possessed the sufficient combination of technical knowledge and interpersonal abilities, along with a flexible and practical approach to policy analysis and program evaluation. I doubt if Watson Wyatt would have been able to appreciate such matters in the limited time within which they conducted their internal preparatory work at GAO.

"(c) What was your impression of the findings from the study? Were they scientifically valid?"

I have not seen enough of the details of the actual comparisons to make a judgment about this question. I do not know the identities of the comparison organizations or job titles, nor have I seen the way in which the comparisons were developed. GAO may have shared such information with staff since I left, but such information was not made available earlier. Because of the limited information provided to GAO staff about how the comparisons were made, I cannot be confident that the results were supported by reliable and valid comparisons with the correct sets of comparison groups. Even if these comparisons were made accurately, however, I agree with Professor Charles Fay's point that a unique organization claiming to attract the best and brightest employees for extremely important work should not determine its pay ranges simply by benchmarking against typical employees in other organizations.

Question 2. "The Comptroller General claims that employees were involved in the development and implementation of the new personnel changes. What is your view on the level of employee involvement?"

Employee input was solicited at virtually every stage of the personnel changes, and I believe the Executive Committee made small changes at various points in response to employee views. The Comptroller General attempted to inform staff through a variety of communication channels, and he invited comments throughout the process. I believe he is to be commended for these efforts, and for taking responsibility for answering questions and attempting to explain the rationale for the changes.

I am less convinced that employee views actually affected the central changes that were made, or that employee concerns were taken seriously in many cases. Of course, the ultimate responsibility for personnel changes rests with GAO's Executive Committee, so employee viewpoints may be justifiably overridden in the interests of the organization.

But I believe many valid employee concerns were overridden without sufficient explanation or consideration. For example, in the process of determining criteria to be used to create the two pay categories for Band II staff, both the analyst and specialist task forces recommended that the risk level of assignments should not be used as a criterion, a recommendation that was not followed. Moreover, although the Comptroller General had indicated that no quota would be used to determine the percentage of staff who could be placed in the higher pay category, the final decision was taken to use a strict cut-off (at the midpoint of the ranking distribution), a decision which effectively assured that fewer than half of eligible staff would be able to be placed in the 2b range. Staff members participating in listening sessions provided their comments in the context of an assurance that no such quota would be used, and many of them felt misled by the eventual outcome.

A broader question, I believe, concerns contradictory or misleading justifications provided for key decisions. If staff are not clear about why certain controversial changes are being made, they are less able to provide input or suggestions, or to feel involved in the process. One important example concerned the rationale for creating the two pay categories within the Band II level. Over a period of several months, the Comptroller General provided different explanations for why this highly sensitive decision was being taken. I remember public statements emphasizing the budgetary implications of continuing to pay staff at the top of the Band II pay range, while other statements indicated he didn't know if this would end up saving any money at all. I believe that if the budgetary considerations were paramount, the use of a quota for placing fewer than 50 percent of the staff in the top category might have been justified, but this was not consistently used as the reason; if budgetary considerations were not involved, then a decision to use such a quota does not seem appropriate.

On balance, I commend the Comptroller General for taking steps to inform staff and solicit viewpoints, but I believe staff involvement in the processes was seriously undermined by a lack of clear objectives and by an impression that many of the key elements of the changes had been decided in advance. The perception was widespread that the listening sessions that preceded the pay category decisions were "pro forma" and that the recommendations of the task forces were ignored on almost all of the major points which had been decided ahead of time. Of course, I cannot know how seriously the Executive Committee actually considered staff views, nor how they arrived at decisions to follow or discount staff opinions.

ONE HUNDRED TENTH CONGRESS

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Ms. Jane K. Weizmann
Senior Consultant
Watson Wyatt Worldwide
901 N. Glebe Road
Arlington, Virginia 22203

Dear Ms. Weizmann:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Ms. Jane Wiezmann
Senior Consultant
Watson Wyatt Worldwide
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. You indicated in your testimony that the market pay data was weighted equally across four sectors: for-profit, not-for-profit, government, and general industry. Can you explain why this approach was taken instead of weighing the data based on chief competitors with the Government Accountability Office (GAO) for talent? For example, does GAO lose many recruits or current employees to general industry?

2. Given GAO's unique position in government, is it really appropriate to use off-the-shelf pay surveys to determine the relevant market? Do analysts in other organizations do what GAO analysts do (i.e., work on assignments involving billions of dollars in assets, brief Congressmen and committee staff, etc.)?

3. Can anyone tell, looking at your briefing reports and data, which specific organizations provided pay data for which particular occupations and levels?

4. Were any of the pay data that you collected in the GAO study excluded from the study? If so, why? What role did GAO play in any such decision?

Watson Wyatt's Responses to Additional Questions for the Record
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does it Meet Expectations?"
May 22, 2007

Question #1: You indicated in your testimony that the market pay data was weighted equally across four sectors: for-profit, not-for-profit, government and general industry. Can you explain why this approach was taken instead of weighing the data based on chief competitors with the Government Accountability Office (GAO) for talent? For example, does GAO lose many recruits or current employees to general industry?

Watson Wyatt's Response: This equal weighting reflects an understanding that no single labor market is predominate for GAO and that these markets are reflective of the overall Washington, DC marketplace for talent. We understand that this weighting is consistent with recent experience by GAO.

Question #2: Given GAO's unique position in the government, is it really appropriate to use off-the-shelf pay surveys to determine the relevant market? Do analysts in other organizations do what GAO analysts do (i.e., work on assignments involving billions of dollars in assets, brief Congressmen and committee staff, etc.)?

Watson Wyatt's Response: The Washington, DC area has one of the world's largest concentrations of Attorneys, Economists and Analysts – persons with Masters degrees in Public Policy, Public Affairs, Public Health, Healthcare Policy, Economics, etc. As such, local surveys are highly credible and have robust participation. In fact, for the 2004 study 18 different credible survey sources were used. These survey sources comprise more than 200 survey matches covering 19,366 employees performing jobs comparable to those at GAO.

Questions #3: Can anyone tell, looking at your briefing reports and data, which specific organizations provided pay data for which particular occupations and levels?

Watson Wyatt's Response: No, participating employers who submit information for inclusion in published market surveys are ensured confidentiality so that their individual employer data cannot be identified.

Question #4: Were any of the pay data that you collected in the GAO study excluded from the study? If so, Why? What role did GAO play in any such decision?

Watson Wyatt's Response: Neither Watson Wyatt nor GAO excluded any specific pay data that was collected for the study.

ONE HUNDRED TENTH CONGRESS

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Mr. Ron Stroman
Managing Director
Office of Opportunity and Inclusiveness
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Stroman:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

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If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Mr. Ronald Stroman
Managing Director, Office of Opportunity and Inclusiveness
Government Accountability Office
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. I understand that the Government Accountability Office (GAO) uses a Standardized Rating Score (SRS) to address differences in how various managers apply performance standards. However, despite the use of the SRS, minority employees at GAO continue to receive lower performance ratings. Do you believe there are ways to fix the SRS to address the impact on minorities, or is an entirely different system needed?

2. Given that African Americans have historically fared poorly in performance evaluations at GAO, did your office voice any objections when performance appraisal scores became one of the primary, and in some cases, the primary, factor in determining whether a Band II employee was slotted into either Band IIA or Band IIB? If not, why not?

3. Data provided by GAO to the Subcommittees indicate that resignations by African Americans at GAO in FY2006 were 90 percent higher than the average of the previous seven fiscal years, that resignations by females in FY2005 and FY2006 were 64 percent higher than the average of the previous six years, and that the number of African Americans and women transferring from GAO has risen during each of the past three fiscal years. To what do you attribute the increase in the number of employees leaving GAO?

**INSERT FOR HEARING RECORD,
JOINT HOUSE AND SENATE SUBCOMMITTEES HEARING
ON GAO PERSONNEL REFORM, MAY 22, 2007
SENATOR AKAKA QUESTIONS TO RON STROMAN, GAO**

Question: I understand that the Government Accountability Office (GAO) uses a Standardized Rating Score to address differences in how various managers apply performance standards. However, despite the use of the SRS, minority employees at GAO continue to receive lower performance ratings. Do you believe there are ways to fix the SRS to address the impact on minorities, or is an entirely different system needed?

> Answer: The Standardized Rating Score (SRS) is used to compare an employee's performance rating to the average for his or her team or office in order to calculate performance-based compensation. Since this system relies on existing performance ratings it could not be used to address disparities in the performance ratings of minority employees. But we are addressing this issue by obtaining the services of a recognized and established company to conduct an independent, objective, third-party assessment of the factors influencing the rating differences for African-American employees, and we intend to implement recommendations coming out of this review.

Question: Given that African Americans have historically fared poorly in performance evaluations at GAO, did your office voice any objections when performance appraisal scores became one of the primary, and in some cases, the primary factor in determining whether a Band II employee was slotted into either Band IIA or Band IIB? If not, why not?

> Answer: In view of the decision to use a competitive placement process for the Band II restructuring, our office did not object to the use of performance appraisal scores as a factor in determining Band IIB placement because performance is an important indicator of an analyst's ability to perform well on complex engagements and to successfully fulfill additional responsibilities. Moreover, the use of performance ratings in the context of the Band II reorganization was consistent with how we have assessed potential for promotions and evaluated candidates for other major human capital decisions within the agency. However, I did participate in discussions with the Executive Committee and others regarding the potential impact that the performance criterion might have on the placement of African American staff into Band IIB. As a result of these discussions, the Executive Committee decided to permit any Band II staff, regardless of appraisal rating, to make a business case and apply for consideration to be placed into Band IIB.

Question: Data provided by GAO to the Subcommittees indicate that resignations by African Americans at GAO in FY 2006 were 90 percent higher than the average of the previous seven fiscal years, that resignations by females in FY 2005 and FY 2006 were 64 percent higher than the average of the previous six years, and that the number of African Americans and women transferring from GAO has risen during each of the past three fiscal years. To what do you attribute the increase in the number of employees leaving GAO?

Answer: Historically, the highest resignation cohort at GAO comes from those employees that have been at the agency for five years or less. The number of African American staff employed at GAO for five years or less increased from 43 in FY 1999 to 142 in FY 2006. I believe this increase accounts for most of the increase in the number of resignations of African American staff in FY 2006. Moreover, the rate of resignations for all African American staff at GAO has been lower than the rate of resignations of Caucasian staff for each year from FY 1999 to FY 2006.

Similarly I believe the increased number of females working at the agency for five years or less accounts for most of the increased resignations of female staff during FY 2005 and FY 2006. Specifically, the number of females that have been at the agency for five years or less, has increased every year since 1999 with the exception of FY 2004. Most of the females that resigned from GAO since FY 1999 had worked at GAO for five years or less—287 of 440 (65%). Moreover, in FY 2005 and FY 2006, the resignation rates for females that have been at the agency for five years or less, was lower than for males that have been at the agency for five years or less.

Finally, regarding the increase in the number of African Americans and women transferring from GAO in each of the past three fiscal years, the majority of these transfers have been administrative staff. I believe the limited opportunities for administrative promotions at GAO accounts for this increase in transfers.

ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Mr. Gregory J. Junemann
President
International Federation of Professional
and Technical Engineers
8630 Fenton Street, Suite 400
Silver Spring, MD 20910

Dear Mr. Junemann:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Mr. Greg Junemann
President, International Federation of Professional and Technical Employees
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. The Government Accountability Office (GAO) Personnel Act of 1980 requires the GAO personnel system to provide a labor-management relations program that is consistent with chapter 71 of title 5, U.S. Code. The legislative history of the Act indicates that consistency with chapter 71 does not necessarily mean that the program must incorporate each and every provision of chapter 71. Can you describe how collective bargaining at GAO may differ from the kind of bargaining that is conducted under chapter 71?

INTERNATIONAL FEDERATION OF
PROFESSIONAL & TECHNICAL ENGINEERS
AFL-CIO & CLC

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June 29, 2007

Hon. Danny K. Davis, Chairman
Subcommittee on the Federal Workforce, Postal Service
and the District of Columbia
U.S. House of Representatives
2159 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Davis,

Per your letter dated June 15, 2007, below are the responses to the queries forwarded by Senator Daniel Akaka in relation to the May 22nd joint hearing.

Thank you again for the opportunity to present IFPTE's views to Congress. Should you have any questions please feel free to contact me, or IFPTE Legislative Director Matt Biggs, at (301) 565-9016.

Sincerely,

Gregory J. Junemann,
President

IFPTE President Gregory Junemann Response to Questions for the Record Submitted by Senator Daniel Akaka

1. The Government Accountability Office (GAO) Personnel Act of 1980 requires the GAO personnel system to provide a labor-management relations program that is consistent with chapter 71 of title 5, of the U.S. Code. The legislative history of the Act indicates that consistency with chapter 71 does not necessarily mean that the program must incorporate each and every provision of chapter 71. Can you describe how collective bargaining at GAO may differ from the kind of bargaining that is conducted under chapter 71?

RESPONSE:

Consistency with chapter 71 with respect to collective bargaining requires that GAO's personnel system be *substantively* the same as chapter 71, but that *procedurally* there will necessarily be differences. These procedural differences arise because the labor management relations program at GAO is applicable to only one agency. In addition, procedural differences arise because the Personnel Appeals Board (PAB), appointed by the Comptroller General, administers the labor management relations program at GAO rather than the independent entity - the Federal Labor Relations Authority - that administers labor relations under chapter 71.

With respect to collective bargaining, these procedural differences are manifested somewhat in the way in which collective bargaining will be conducted. For example, chapter 71 sets forth certain "permissive subjects of bargaining," 5 U.S.C. § 7106(b) as does the PAB, GAO Order 2711.1¶ 7.b. In 1992, President Clinton issued Executive Order 12871 directing all federal agencies to negotiate over permissive subjects of bargaining. Since GAO is not an executive agency, GAO would not be obligated to comply with this Order.

In addition, if the parties at GAO reach impasse on a subject, the GAO Order provides that they pursue their claim to an ad hoc joint management-union committee comprised of 7 individuals - 3 selected by the GAO, 3 selected by the affected union and one appointed by the Chair of the PAB. This is procedurally different than the standing impasse panel to which federal agency unions petition if an impasse in collective bargaining arises

Collective bargaining at GAO, however, should not be different "in kind" from collective bargaining under chapter 71. If a subject would be negotiable under chapter 71 if chapter 71 were applicable to GAO, then the subject should be negotiable at GAO.

Since GAO has not previously had a union, there is no case law regarding negotiability at GAO or an interpretation of the procedures to be used at GAO. However, GAO Order 2711.1 contains some provisions that appear to be inconsistent with chapter 71. For example, in paragraph 7, GAO omits as a permissive subject of bargaining the determination of "the numbers, types and grades (e.g. "bands") of employees or positions assigned to any organizational subdivision, work project, or tour of duty or on the technology, methods and means of performing work," which are specifically recognized as permissive subjects of bargaining under chapter 71, 5 U.S.C. § 7106(b)(1).

Another example is that GAO permits the Comptroller General to avoid production of documents by unilaterally designating internal GAO audits as "compromis[ing] GAO security or the substantive confidential responsibilities of GAO." There is no such unilateral right afforded agency heads under chapter 71. Types of provisions such as these are inconsistent with chapter 71 and, in our opinion, would not survive judicial review.

ONE HUNDRED TENTH CONGRESS

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Ms. Janice M. Reece
10407 Croom Road
Upper Marlboro, MD 20772

Dear Ms. Reece:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Ms. Janice Reece
Former General Counsel, Personnel Appeals Board
Government Accountability Office
Professor of Human Resources Management
Rutgers University School of Management and Labor Relations
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. In your testimony you raise questions about the independence of the Personnel Appeals Board (PAB) since its members are appointed by the Comptroller General and also claim that the PAB is too closely involved with the PAB General Counsel's office. What steps should Congress take to improve the independence of the PAB and the PAB General Counsel?

2. When you were General Counsel, did you ever request additional funding or resources, and if so, what was the Comptroller General's response? Did you ever raise any of your concerns with the independence of the PAB and the General Counsel's office? If so, what was the response of the Comptroller General?

FAX COVER PAGE

FROM: Janice M. Reece
10407 Croom Road
Upper Marlboro, MD 20772
(301) 627-0558 (Home Phone)
(301) 627-6786 (Fax Number)

TO: The Honorable Danny K. Davis
Chairman
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
Committee On Oversight and Government Reform
House of Representatives
Congress of the United States
ATTN: Cecelia Morton
(202) 226-0805 (Fax number)

NUMBER OF PAGES (including cover page): 9

Please call me at my home phone number if there is any trouble in the transmission of this fax.

10407 Croom Road
Upper Marlboro, MD 20772

June 29, 2007

BY FAX

The Honorable Danny K. Davis
Chairman
Subcommittee on Federal Workforce,
Postal Service, and the District of Columbia
House Committee on Oversight and Government
Reform
Congress of the United States
Washington, DC 20510

Dear Mr. Davis:

By letter dated June 15, 2007, I was asked to respond to additional questions submitted by Senator Akaka to be included in the record of the hearing held by the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and the Senate Subcommittee on Oversight of Government Management and Federal Workforce into the Government Accountability Office's Personnel Reform. Enclosed please find my responses to these questions.

I hope that the information contained in my responses will be of assistance to your inquiry into this matter. If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Janice M. Reece

Janice M. Reece

Enclosure: Responses To Additional Questions (with Attachment)

RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD FOR JANICE REECE BY SENATOR DANIEL K. AKAKA, CHAIRMAN, SENATE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA

THE JOINT HOUSE SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE, AND THE DISTRICT OF COLUMBIA, AND THE SENATE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA

"GAO PERSONNEL REFORM: DOES IT MEET EXPECTATIONS?"
MAY 22, 2007

Question 1:

In your testimony you raise questions about the independence of the Personnel Appeals Board (PAB) since its members are appointed by the Comptroller General and also claim that the PAB is too closely involved with the PAB General Counsel's office. What steps should Congress take to improve the independence of the PAB and the PAB General Counsel?

Response:

The Independence of the PAB

The current scheme for the appointment of PAB Board members presents, at the very least, an appearance of conflict of interest. Therefore, I believe that the first step that Congress should consider to improve that independence and eliminate possible conflicts of interest is to alter the appointment scheme. Congress should become involved in the appointment of PAB Board members. Although it may be appropriate for GAO to be involved in the nomination process, Board members should be appointed by Congress after an appropriate confirmation process. This would be consistent with the procedure used for the appointment of members of Executive Branch boards and commissions (such as the Merit Systems Protection Board and the Equal Employment Opportunity Commission). This change would go a long way to eliminate the most obvious impediment to the independence of the PAB and could be implemented without a change in the current structural relationship between GAO and the PAB (that is, the PAB could remain part of GAO). I also note that much of the PAB's authority over its day-to-day operations is performed and exercised by its Executive Director, including the power to authorize and deny the expenditure of funds. Despite the considerable power wielded by the Executive Director, no written delegation of the authority, no statute or regulation, or other written documentation exists that defines the scope of the Executive

Director's authority. Because of the importance of this position, I believe that Congress should also be involved in the appointment of the PAB's Executive Director.

GAO's involvement in the appointment of PAB Board members is not the only factor that compromises the independence of the PAB. GAO's funding of PAB operations and GAO's apparent failure to hold the PAB accountable for its activities and expenditures also threaten the PAB's independence. Congress could solve these problems by affording the Board its own budget and administrative authority. In addition, Board members should be required to submit yearly disclosure reports (regardless of the amount of income earned from their PAB positions). Requiring such reports would alert Congress of any conflicts of interest arising from other jobs and/or positions held by Board members during their tenure.

In evaluating the steps it may wish to take to address these problems, Congress should also consider whether the rights of GAO employees should be adjudicated by an in-house organization or whether such adjudications should be placed in the hands of an organization that is not affiliated with GAO at all. In order to more fully improve the independence of GAO employee appeals, Congress should look into possible alternatives to the existing scheme, including the following:

a. Abolish the PAB and the other existing appeal units for Legislative Branch employees (including the Office of Compliance) and establish one independent appeal organization to handle all Legislative Branch employee appeals. The governing board for this new organization would be appointed by Congress, provided its own separate budget, and subject to the same annual reporting requirements applicable to other Legislative Branch agencies. This should be done without disturbing the rights currently afforded to employees in the various Legislative Branch agencies.

b. Establish the PAB as an independent agency. Board members would be appointed by Congress after confirmation hearings, afforded its own budget and administrative authority, and subject to annual reporting requirements.

The Independence of the PAB General Counsel

The Board's control over the selection and retention of the General Counsel (the General Counsel serves at the pleasure of the Board chair), as well as its control over the funding for and administration of the PAB Office of General Counsel (PAB/OGC) operations, act as substantial impediments to the independence of PAB/OGC investigations and prosecutorial decisions. Congress can improve the independence of the PAB/OGC by amending the statute to place limits on the extent of the Board's oversight and supervision of the PAB General Counsel and provide the PAB General Counsel authority to manage and approve the expenditure of funds for the operations of the PAB/OGC.

Congress should also consider whether the PAB/OGC should operate within the PAB structure or whether the office could better perform its functions as an independent organization. For example, Congress could establish the PAB/OGC as a separate office not connected with the PAB or GAO at all (similar to the Office of Special Counsel). The PAB General Counsel could be appointed by Congress after confirmation hearing, provided a separate budget by Congress, and given full authority to administer its operations. In the alternative, Congress could abolish the PAB/OGC and the other existing investigative and prosecutorial organizations established for employees in the Legislative Branch (including the Office of Compliance's General Counsel's Office) and establish one independent organization to handle all Legislative Branch employee investigations and prosecutions. The head(s) of this new organization would be appointed by Congress, provided its own separate budget, and subject to the same annual reporting requirements applicable to other Legislative Branch agencies. This should be done without disturbing the rights currently afforded to employees in the various Legislative Branch agencies.

Question 2:

When you were General Counsel, did you ever request additional funding or resources, and, if so, what was the Comptroller General's response? Did you ever raise any of your concerns with the independence of the PAB and the General Counsel's office? If so, what was the response of the Comptroller General?

Response:

During my tenure with the PAB, the PAB General Counsel had no authority to request funding or resources directly from GAO. Instead, all requests for funds or resources had to be made to the Board through its Executive Director. Therefore, I never made requests for additional funding or resources directly to GAO or the Comptroller General when I was General Counsel. However, in late 1997, after I became acting PAB General Counsel, I asked the Board for authority to hire at least one additional attorney to assist in the processing of charges filed with the office. I made this request because, at the time, I was the only attorney in the PAB/OGC, which normally had two staff attorneys in addition to the General Counsel. The Board denied my request stating that they did not believe that GAO would not authorize such hiring at that time.

When I was PAB General Counsel, I had few occasions to raise my concerns about the independence of the PAB or PAB General Counsel with GAO or the Comptroller General directly. However, there were two occasions that I did raise concerns about the independence of the PAB with the Comptroller General. In 1999, the Comptroller General conveyed his desire to have my office give priority to investigating a charge filed by a member of GAO's Senior Executive Service. I informed him that, because of the PAB's independence and neutrality, I did not believe that it was appropriate for me to honor a request from GAO management to handle a charge in a particular fashion or order. The Comptroller General responded by denying the inappropriate nature of his request. The case was not afforded special treatment by my office.

I also had the opportunity to raise my concerns about the independence of the PAB General Counsel and the PAB in a letter, dated December 2, 2005 (my last day of work before my retirement), that I sent to the Comptroller General. In that letter, I shared my concerns about the PAB's increasing control over the operations of the PAB/OGC and made several suggestions to reform the PAB, including the complete separation of the investigative and prosecutorial functions of the PAB/OGC from the control of the Board. I have not received a response from the Comptroller General. A copy of that letter is attached to this response.

Attachment

ATTACHMENT TO RESPONSES TO ADDITIONAL QUESTIONS FOR JANICE REECE FROM SENATOR DANIEL K. AKAKA

December 2, 2005

The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office

Dear Mr. Walker:

I have decided to retire after 30 years of federal service, effective, December 3, 2005. I have worked for the PAB/OGC since 1993 but have headed the PAB/OGC as its acting General Counsel and, later, its General Counsel for the past 8 years. In those years, I have commented on many GAO regulations (including those initiated by you), made suggestions for improvements in many GAO processes, and, of course, challenged some of the actions GAO has taken against employees. Now as I leave the PAB, I feel that it is only fitting that I now comment on the policies and practices of that organization.

As you may already be aware, in July 2004, the Board (through its Executive Director) announced to me and Joan Hollenbach, the implementation of revised practices applicable to the investigation (and prosecution) of charges filed with PAB/OGC.[1] These revised practices included (1) the establishment of limits on the length of the reports issued by PAB/OGC pursuant to 4 C.F.R. § 28.12 (no more than 3 pages); (2) the placement of limitations on the length of PAB/OGC investigation to no more than 90 days, except where the Board determines good cause exists for an extension; and (3) the requirement that the General Counsel find reasonable cause if the agency fails to provide information relevant to the charge within the 90-day period. I believe that these new procedures have considerably limited the ability of GAO employees to receive the type of independent, quality investigations that they are due under the General Accounting Office Personnel Act (GAOPA).

The limitation on the length of reports of investigation also limits the amount of information that can be supplied to charging parties concerning the information gathered in PAB/OGC investigations. This, in turn, severely compromises a charging party's access to relevant information and the ability of a charging party to make an informed

[1] The July 2004 revised rules became effective on October 1, 2004. However, to date, the Board has not published them for notice and comment nor has it otherwise notified GAO employees of the content of these rules. Publication of the revised practices (as amended) in the Federal Register would shine some light on Board policies and would allow interested persons, particularly employees, to express their views.

decision as to whether to further pursue his/her claims before the Board (with or without the representation of the PAB/OGC). A similar handicap occurs with the Board's restriction of investigations to 90 days. This restriction, which gives the Board sole authority to extend investigations, also denies the GAO complainant rights and options that executive branch employee complainants have – such as, the right to authorize the investigating agency to continue the investigation beyond the statutory time limits. Furthermore, the requirement of a finding of reasonable cause when the agency does not produce documents during a 90-day period completely ignores the existence of legitimate reasons for the agency's inability to produce documents in a timely manner.

In its July 2004 notice, the Board justified these new practices by stating that "it does not serve employees, management or the process itself to have matters under investigation for many months or even years." However, in other communications with me (written and oral), the Board has made it abundantly clear that the changes were part of its continued efforts to force the General Counsel to file more cases with the PAB. I believe that the latter rationale is the real reason for the implementation of these new practices. My belief is supported by the language of the revised practices themselves.

The revised practices, as interpreted by the Board, give the Board sole authority to decide whether an investigation should be extended. In addition, the adverse inference requirement guarantees an offer of representation by the General Counsel and, thus, a case being filed before the Board. Aside from the revised practices, the Board has exerted considerable pressure on me to file more cases, including tying promotions of PAB/OGC attorneys to the frequency at which they appear before the Board, and threatening to review settlements reached in issues raised in charges, even though the Agency and the complainant are satisfied with the settlement. These conflicts of interest have been further exacerbated by the Board's recent decision to appoint its Executive Director (who has, for years, acted in lieu of the Board, assisted in the formulation of the Board's positions in cases and other matters, and has been a major contributor to the Board's initiatives to obtain more work from both inside and outside of GAO)[2] to serve as the acting General Counsel after the effective date of my retirement. She will retain her position as Executive Director and perform the functions of both positions.

It is surprising that the Board would ignore the conflicts of interest created by its recent actions, especially in view of the criticisms it has lodged against GAO for the manner in which it processes administrative discrimination complaints — particularly the involvement of the GAO Office of General Counsel in final agency decisions. Recognizing the EEOC's directive (MD 110) that requires the separation of investigative and decision making processes in processing EEO complaints, the Board in no less than 3 oversight reports strongly recommended that GAO revise its regulations concerning discrimination complaints to separate the function of processing discrimination

[2] An official written delegation specifying the authority delegated to the Executive Director is conspicuously absent from publicly available records. The "delegations" given to the Executive Director have been communicated piecemeal, mostly through communications from the Executive Director herself.

complaints from the decision-making function.[3] As the Board stated, "[t]he separation of the functions would go a long way toward dispelling any notion of an appearance of a conflict. . . ." *Study of GAO's Office of Opportunity and Inclusiveness* (2004) at 17. It appears that, at the same time that it was chastising the agency for the appearance of conflict in complaint processing, the Board was taking steps to blur the lines between its investigative/prosecutorial and adjudicative functions.

These actions, and others, have caused me great concern over the years. The Board has exerted constant pressure on me to file more cases and has unjustifiably criticized the achievements of PAB/OGC when, in its estimation, the office has not taken enough cases to hearing. I have been excluded from any decisions relating to investigations and the operations of the office. This treatment has taken its toll and has prompted me to request voluntary early retirement on two earlier occasions and it forms the basis for my decision to retire today. I believe that the Board is out of control, not because of its treatment of me and my staff, but because of the impact that such reckless policies and practices have on the integrity of the PAB.

Unfortunately, there does not seem to be an easy fix for the ills of the PAB. However, perhaps, as a beginning you might consider the following suggestions: (1) closer scrutiny of the credentials and actual expertise of candidates for Board positions; (2) mandatory training in management for Board members and the Board's Executive Director; (3) mandatory training for Board members in adjudication skills and substantive employment law; (4) complete separation of the investigative and prosecutorial functions from the control or influence of the Board; (5) requiring the Board to publish changes to its rules and procedures (even if on an interim basis) for comment by interested persons; and (6) an independent review of the operations (administrative, financial, and substantive) of the Board.

I understand that your ability to influence reform at the PAB may be limited by its need to be independent from agency influence. However, I wanted to take this opportunity to voice these concerns in an effort to protect the integrity and credibility of the appeal process. The dedicated, committed, hard-working employees of GAO deserve no less.

Thank you for your consideration of these matters.

Sincerely,

Janice M. Reece

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[3] *GAO's Discrimination Complaint and Mediation Program* (1995); *Follow-Up Report on GAO's Discrimination and Mediation Program* (1998); *Study of GAO's Office of Opportunity and Inclusiveness* (2004).

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Mr. Max Stier
President & CEO
Partnership for Public Service
1100 New York, Ave., NW
Suite 1090 East
Washington, DC 20005

Dear Mr. Stier:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

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Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Mr. Max Stier
President and CEO
Partnership for Public Service
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. The Partnerships' Best Places to Work publication ranked the Government Accountability Office (GAO) second although GAO employees did not participate in the Office of Personnel Management (OPM) Human Capital Survey and were asked only three questions in a survey administered by GAO.
   a. Can you tell me how you were able to determine that GAO was the second best place to work in the federal government when you did not consider employee views on pay, performance based awards, and diversity like all other agencies in your survey?
   b. Do the questions GAO asked provide any information on employees' views of the new GAO pay system? If not, is it appropriate for GAO management to use their ranking as a good place to work to defend their pay system?

2. You testified that one way for Congress to evaluate the GAO personnel reforms is to monitor the employment trends at GAO. What conclusions can we draw from the fact that GAO's number of resignations increased by 50 percent in 2005 and 2006?

3. Representatives from the Partnership for Pubic Service have been consistently complimentary of GAO's move to market based pay and pay for performance. Has the Partnership done a study of GAO's efforts in this area? If not, on what basis were such statements made?

4. Other than GAO, are the heads of any other federal agencies on the Partnership's Board of Governors? Do you believe that there is the appearance of a conflict of interest by the Partnership when it ranks a Board member's agency as one of the best places to work in the federal government?

Max Stier's Responses to Questions from Senator Daniel K. Akaka Regarding GAO and the *Best Places to Work* Project – Joint House and Senate Subcommittees Hearing on May 22, 2007

Question 1:
The Partnership's Best Places to Work publication ranked the Government Accountability Office (GAO) second although GAO employees did not participate in the Office of Personnel Management (OPM) Human Capital Survey and were asked only three questions in a survey administered by GAO.

a. *Can you tell me how you were able to determine that GAO was the second best place to work in the federal government when you did not consider employee views on pay, performance based awards, and diversity like all the other agencies in your survey?*
b. *Do the questions GAO asked provide any information on employees' views of the new GAO pay system? If not, is it appropriate for GAO management to use their ranking as a good place to work to defend their pay system?*

Answer:

a. The Partnership computes the *Best Places to Work* overall engagement scores ("index score") based on responses to three survey questions in the Federal Human Capital Survey (FHCS). To calculate the index score, we weight the responses to these questions, which focus on job satisfaction, using a statistical analysis developed by the Hay Group.

   Although GAO did not administer the entire FHCS to its employees, it did administer the identical three questions we use to compute the *Best Places to Work* index score. Therefore, we are confident that GAO's score is comparable to the index scores for the other agencies and subcomponents in the *Best Places to Work* index score rankings. The three FHCS questions that are the basis for the index score are:

   1) I recommend my organization as a good place to work. ("Strongly Agree" to "Strongly Disagree")
   2) Considering everything, how satisfied are you with your job? (Very Satisfied to Very Dissatisfied)
   3) Considering everything, how satisfied are you with your organization? (Very Satisfied to Very Dissatisfied)

   Based on this index score, GAO ranked second among large agencies.

   In addition to measuring overall satisfaction and engagement using the *Best Places* index score, we also use other FHCS questions to rank agencies in ten workplace categories. These categories include performance-based rewards and advancement, and pay and benefits. Since GAO does not survey its employees using the FHCS questions we rely on to compute scores in these ten areas, we do not rank GAO in any of these workplace categories. It is also important to note that the scores in each *Best Places* workplace category are based on different questions than those that make up the overall index score.

b. The GAO annual survey administered in 2006 does not ask employees to express their opinions on the agency's compensation system. In addition, as discussed above, we did not score GAO in the pay and benefits dimension. However, it is reasonable to assume that GAO's relatively high score (and high ranking) would have been affected by widespread dissatisfaction with pay.

Question 2:
You testified that one way for Congress to evaluate the GAO personnel reforms is to monitor the employment trends at GAO. What conclusions can we draw from the fact that GAO's number of resignations increased by 50 percent in 2005 and 2006?

Answer:
There is not a single metric, in isolation, that one can rely upon for a definitive conclusion regarding the efficacy of GAO's recent personnel reforms. Our recommendation is that data from several sources be evaluated over time and in the context of other information. Certainly a 50 percent increase in the number of employee resignations over a two year period of time deserves further exploration into the possible underlying causes. That analysis should take a look at several factors. For example:

-- What were the absolute numbers of employees leaving GAO during this time? An increase from 100 to 150 resignations certainly has greater impact that an increase from 10 to 15.

-- What are the demographic characteristics of the employees who resigned? For example, were they employees with relatively few years of service or employees with 15 to 20 years of service or more? Were the performance levels of those departing different in any significant way from other employees in similar jobs and with similar experience? Employee turnover tends to vary based on tenure and performance.

-- In addition to the implementation of the personnel reforms, were there other events occurring, such as a reorganization, that might also have had an impact?

-- Is there other data available, such as that from employee exit interviews, that would be helpful in evaluating the cause and implications of the increase in employee resignations?

-- What is the base period for comparison of the turnover statistics? A longer track record is more useful than a short one.

-- How does this turnover compare to other federal organizations with a highly professional workforce?

Question 3:
Representatives from the Partnership for Public Service have been consistently complimentary of GAO's move to market based pay and pay for performance. Has the Partnership done a study of GAO's efforts in this area? If not, on what basis were such statements made?

Answer:
The Partnership for Public Service has been consistent in our stated view that the General Schedule (GS) pay system, put into place in 1949, is outdated and too inflexible. The GS pay system's lack of market and performance sensitivity do not serve well the interests of the government or the American public, nor is it consistent with the intent of the statutory merit system principle (Title 5, USC 2301(b)(3)) which calls for "...appropriate consideration of both national and local rates paid by employers in the private sector, and appropriate incentives and recognition should be provided for excellence in performance."

Our favorable view of GAO's move to a pay-banded compensation system intended to be market- and performance-sensitive is based on our belief that such a system – in its basic design – is likely to be an improvement over the GS system. Independent evaluations of the broad-banded pay systems that have been implemented in a number of federal agencies and organizations under the 1978 demonstration project authority or under agency-specific legislation have found them to be superior to the GS pay system once they were fully implemented.

The Partnership has not evaluated GAO's implementation of their system and, consequently, we have refrained from commenting on that implementation. However, we do commend GAO for exercising leadership in attempting to design a pay system that – if successful in meeting the goals established for it – can serve as a model for other federal organizations.

Question 4:
Other than the GAO, are the heads of any other federal agencies on the Partnership's Board of Governors?

Answer:
The Partnership's Advisory Board of Governors consists of prominent individuals who have agreed to be associated with the mission of the Partnership to inspire a new generation to serve and to change the way government works so it can better serve the American people. Many members of the Advisory Board have previously headed government agencies, including Charles Rossotti, Lawrence Summers, Daniel Glickman, and James Baker.

Do you believe that there is the appearance of a conflict of interest by the Partnership when it ranks a Board member's agency as one of the best places to work in the federal government?

Answer:
No. The methodology for the Partnership's *Best Places* rankings is transparent in that it relies on an analysis of the responses from each agency to three specific questions in the Federal Human Capital Survey that is administered by the Office of Personnel

Management. The responses from GAO's workforce to these same three questions are the basis for its ranking.

Members of the Partnership's Advisory Board of Governors do not have a fiduciary relationship to the Partnership and do not participate in its governance. They are, however, an important source of advice and counsel. No member of the Advisory Board of Governors, including the Comptroller General, plays any role in the Partnership's analysis of employee survey results that underlies the *Best Places to Work* rankings.

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Mr. David Walker
Comptroller General, Government Accountability Office
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. Regarding the expectations gap that you mentioned in your testimony regarding an annual pay increase for Government Accountability Office (GAO) employees who met expectations, you gave numerous assurances to Congress and GAO employees that employees would receive a cost of living adjustment (COLA). You were also quoted in the *Washington Post* saying that "regardless of how the [Watson Wyatt] review turned out, no GAO employee would take a cut in pay and all employees will receive an adjustment to keep pace with inflation each year." (Stephen Barr, "Other Agencies May Learn From GAO's Pay, Classification Review," *The Washington Post*, May 13, 2004, p. B2) That seems to be a clear statement that employees will receive a COLA. If this is an example of an expectations gap, how can you ensure future employee buy-in and credibility in any future assurances?

2. Mr. Walker, as you know reasonable transparency is essential in the development of a new personnel system. It is my understanding that GAO developed the Standardized Rating Scores (SRS) to help address differences in how managers rate their employees and is used to determine an employee's performance pay. Please provide a clear explanation as to how the SRS is calculated as well as the information and data provided to GAO employees to help them understand how the SRS is calculated and whether employees are given the necessary information to calculate their SRS.

3. You've indicated that they employees who did not receive a pay raise were essentially overpaid as compared to the larger market. In looking at the numbers, this seems to be the case for GAO employees if you use the 50th percentile as the range. In the competitive labor market, do you consider the nature of the work of GAO employees to warrant an average pay rating? If so, how does this help in attracting the best and brightest to work for GAO?

4. In your written testimony you stated that you had no idea when you testified in 2003 that some GAO employees were paid more than the market. However, you also testified that you were in discussions with the Employee Advisory Council in 2002 about splitting Band II based on the Personnel Decisions Research Institute (PDRI) study in 2000.

    a. Why didn't you know in 2003 that these employees would be considered overpaid and thus ineligible for a COLA?

b. Before the Watson Wyatt study was completed, you are on the record as saying that some GAO employees may be overpaid. (Amelia Gruber GAO prepares for pay system overhaul, GovExec, July 14, 2004). On what basis did you make this statement?

5. According to information GAO provided to the Congressional Research Service (CRS), in both 2005 and 2006 the number of resignations at GAO increased by 50 percent, while the number of retirements and terminations remained approximately the same. To what do you attribute this significant increase in GAO resignations since 2005?

6. In their written statements, both Curtis Copeland from CRS and Professor Charles Fay from Rutgers University point out that GAO employees, in particular the incumbents of the jobs being compared to the marketplace, were not substantively involved in either describing the jobs or in determining the adequacy of the matches to the private sector. Why didn't GAO involve job incumbents in this process? In addition to greater accuracy, wouldn't this improve employees' trust in the study?

7. Professor Fay also notes that GAO and Watson Wyatt used off-the-shelf pay data. If GAO's work is so unique and likely to be more decision-critical than that of consultants or nonprofits, why did GAO elect to use off-the-shelf pay data from these organizations?

8. Section 3 of the GAO Human Capital Reform Act requires the Comptroller General to adjust annually the pay of all GAO employees performing in a satisfactory manner "to such extent as determined by the Comptroller General." Do you believe that this language allows you to provide no pay adjustment at all to GAO employees who are performing in a satisfactory manner because "extent" could mean zero? Is that your understanding of what Congress expected when it passed the legislation?

9. As you know, I am very interested in how new personnel reforms impact preference eligible federal workers. Please provide the number of veterans who are employed at GAO; the number who are analysts and are in Bands I, IIA, IIB, and III, respectively; the number who received performance-based pay in 2005 and 2006; and the number who did not receive a COLA in 2005 and 2006.

10. How do you respond to the conclusions of the Personnel Appeals Board (PAB) General Counsel and CRS that the GAO Human Capital Reform Act does not permit you to withhold annual pay increases from employees with satisfactory performance ratings? Is there something in the statute or its legislative history that you believe supports another interpretation?

11. You testified that the Band II split was based on the PDRI study in 2000. Please describe the differences and similarities in the job duties and responsibilities of the Band IIA and Band IIB analysts.

12. The GAO Personnel Act of 1980 requires the GAO personnel system to provide a labor-management relations program that is consistent with chapter 71 of title 5,

U.S. Code. The legislative history of the Act indicates that consistency with chapter 71 does not necessarily mean that the program must incorporate each and every provision of chapter 71.

a. Can you describe how collective bargaining at GAO may differ from the kind of bargaining that is conducted under chapter 71?
b. Is bargaining over wages possible if restrictions on such bargaining under chapter 71 have not been incorporated into GAO's labor-management relations program?

6/29/2007

Walker Response
5-22-07

Questions for the Record Submitted by S nator Daniel K. Akaka

1. Regarding the expectations gap that you mentioned in your testimony regarding an annual pay increase for GAO employees who met expectations, you gave numerous assurances to Congress and GAO employees that employees would receive a cost of living adjustment (COLA). You were also quoted in the Washington Post saying that "regardless of how the [Watson Wyatt] review turned out, no GAO employees would take a cut in pay and all employees will receive an adjustment to keep pace with inflation each year." (Stephen Barr, "Other Agencies May Learn From GAO's Pay, Classification Review," *The Washington Post*, May 13, 2004, p. B2) That seems to be a clear statement that employees will receive a COLA. If this is an example of an expectations gap, how can you ensure future employee buy-in and credibility in any future assurances?

The comment referred to above does not represent a quote from me. Furthermore, the article you referred to contained an error relating to this subject. In fact, the Washington Post issued a correction to the May 13 article which stated that most GAO employees who were meeting expectations will receive annual pay adjustments. Further, as I have previously testified, 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. However, contrary to assertions by some, no employee took a pay cut and while employees over the market based cap did not receive an across-the-board adjustment, all staff who performed at the "meets expectations" level or better were eligible for performance-based compensation increases.

As documented in my May 22, 2007 testimony before the Congressional subcommittees (see Appendix VII of GAO-07-872T), we engaged in significant outreach efforts in connection with our classification and compensation review. We plan to continue to make use of an extensive outreach, employee participation, and communication effort in connection with any future changes. While I am committed to avoiding misunderstandings about agency initiatives, it is important to distinguish between misunderstandings and disagreements. Regardless of an organization's best efforts, it is not possible to gain universal acceptance in connection with significant transformational changes. At GAO, I have reached out, listened, and responded to reasoned and reasonable comments and recommendations. At the same time, in the end, I make difficult decisions based on what I think is the right thing to do for GAO, even though it may not always be popular. That is what leadership and stewardship are about.

2. Mr. Walker, as you know reasonable transparency is essential in the development of a new personnel system. It is my understanding that GAO developed the Standardized Rating Scores (SRS) to help address differences in how managers rate their employees and is used to determine an employee's performance pay. Please provide a clear explanation as to how the SRS is

calculated as well as the information and data provided to GAO employees to help them understand how the SRS is calculated and whether employees are given the necessary information to calculate their SRS.

The standardized rating score (SRS) is a statistical measure of an employee's performance appraisal average in relation to the average for his or her comparison group. GAO converts employees' performance appraisal averages to standardized rating scores for the purposes of calculating performance-based compensation (PBC). GAO adopted the SRS as an alternative to our former system which utilized pay categories. Pay categories often resulted in a "cliff effect" whereby pay differentiations were much greater than the associated rating differences. Employees with rating averages which differed only slightly could be placed in different categories and receive very different pay outs. In addition, the SRS helps to mitigate the impact of any differences in units' (e.g., teams') rating patterns to help ensure equitable treatment across all teams and offices. Importantly, adoption of the SRS system and subsequent additional communications that allow an employee to calculate their own score were based, in part, on issues raised by our Employee Advisory Council (EAC).

How is the SRS calculated?

The standardized rating score calculation begins with the performance appraisal average. Each rating level has a score:

- Role Model = 5
- Exceeds Expectations = 3
- Meets Expectations = 1.5
- Below Expectations = 0

Each competency is rated and the sum of the scores for all competencies is divided by the number of competencies relevant to an individual's band level. The SRS is calculated by subtracting the average performance appraisal average for the comparison group from the individual performance appraisal average, dividing the result by the standard deviation[1] for the comparison group, rounding the result to two decimal places and adding 5 as shown below:

$$\frac{\text{Appraisal Average} - \text{comparison group appraisal average}}{\text{Comparison group standard deviation}} \quad +5 \quad = \text{SRS}$$

For analysts and attorneys, the comparison group for determining the SRS is all employees in the same pay plan, band, and unit. For example, a comparison

[1]Standard deviation is a statistical measure of the spread of a set of values from the mean value.

6/29/2007

group for a Band IIB in the Natural Resources and Environmental (NRE) team is all other Band IIBs in NRE. If there are not at least 4 employees in an analyst's or attorney's band and unit, the SRS is calculated based on the GAO-wide average for the pay plan and band.

What information and data is provided to GAO employees?

Employees can access a report in their on-line Competency Based Performance System (CBPS) records. Each individual's report contains the following data: appraisal average; SRS; explanation of the applicable comparison group, e.g. "all ratings in the same team, unit, pay plan and band;" comparison group appraisal average; comparison group standard deviation; and the amount of the salary increase and/or bonus. With this information, an employee can replicate the calculation of his or her SRS.

Employees are not, however, given access to the individual rating averages of each person in their respective comparison groups, which would be necessary to fully replicate the group average and standard deviation. These two values are calculated using standard statistical software. We believe the steps we have taken provide a reasonable balance between transparency and employee privacy.

This year GAO posted a notice to our Intranet at the time the SRS results were released, which contained an explanation of the SRS and its calculation. We also posted a series of compensation fact sheets, one of which discusses the SRS in detail. Information regarding the basis of and formula for the calculation of the SRS has been included in GAO's pay administration orders (2540.2 for attorneys; 2540.3 for analysts, and 2540.4 for Administrative Professional and Support Staff) or Performance Based Compensation Guides since this methodology was first adopted. Human Capital Office staff have always been available to assist any employee who has questions or concerns.

3. You've indicated that the employees who did not receive a pay raise were ssentially overpaid as compared to the larger market. In looking at the numbers, this seems to be the case for GAO employee if you use the 50th percentile as the range. In the competitive labor market, do you consider the nature of the work of GAO employees to warrant an average pay rating? If so, how does this help in attracting the best and brightest to work for GAO?

GAO does not consider a salary in excess of the 50th percentile of the range to be above market. Employees who did not receive annual adjustments had salaries that were in excess of the maximum rates of their bands or were over the market-based speed bump and did not meet the associated performance criteria.

GAO developed market-based ranges around the "competitive rate" or market median. This is a well accepted compensation practice. After identifying the market median, Watson Wyatt constructed ranges to include the salary points for the 25th and 75th percentiles of the market. The salary data was collected from a competitive market place including for profit, not for profit, general industry and government organizations. The actual minimum and maximum rates for each salary range were calculated as a percentage above and below the 50th percentile or the "competitive rate". For example, the Band IIB minimum rate is 22 percent below the competitive rate and the maximum rate is 22 percent above. Using this methodology, the best talent (regardless of industry) is reflected in the ranges.

GAO's work is challenging and demanding and our market study was designed to align GAO's salary ranges with the salaries of similar positions in terms of duties and responsibilities and required qualifications. While the ranges have only been in place since January 2006, we have not seen any material impact on our ability to attract and retain staff of the same high quality. We plan to continue to adjust our ranges annually and to monitor recruitment and retention data, and make any needed refinements.

Importantly, GAO competes for talent based on a variety of factors beyond competitive compensation. Many individuals choose public service in order to make a difference for their country and fellow citizens. GAO's benefits and work/family flexibilities are also a consideration for many applicants. Our attractiveness as an employer is demonstrated by our number 2 ranking in the category of larger federal employers on the "Best Places to Work in the Federal Government 2007" list as well as our inclusion on this list in prior years.

4. In your written testimony you stated that you had no idea when you testified in 2003 that some GAO employees were paid more than the market. However, you also testified that you were in discussions with the Employee Advisory Council in 2002 about splitting Band II based on the PDRI study in 2000.

a. Why didn't you know in 2003 that these employees would be considered overpaid and thus ineligible for the COLA?

I was aware that different types of roles and responsibilities existed within Band II from early on in my tenure at GAO. The appraisal validation activities conducted by PDRI in 2000 confirmed that certain work activities were not uniformly performed by all Band II employees. The potential for a Band II restructuring, which was first discussed in 2002 with the Employee Advisory Council, resulted from our understanding that there were different roles, responsibilities, and expectations within Band II. However, my awareness in 2003 of these different roles did not, in and of itself, conclusively indicate that either type of position/role was necessarily overpaid if compared to the market.

6/29/2007

b. B for the Watson Wyatt study was completed, you are on the record as saying that some GAO employees may be overpaid. On what basis did you make this statement?

The above statement was made a year after the July 2003 hearing on Human Capital II. Although I did not know if any employees would be overpaid relative to the market ranges, it was reasonable to assume that once the market pay ranges were identified, that there was the possibility that some employees could be paid above the market. We were not in a position to know with any reasonable certainty until late in calendar year 2004.

5. According to information GAO provided to the Congressional Research Service (CRS), in both 2005 and 2006 the number of resignations at GAO increased by 50 percent, while the number of retirements and terminations remained approximately the same. To what do you attribute this significant increase in GAO resignations since 2005?

The number of resignations at GAO has been steadily increasing since the end of FY 2001, driven primarily by the growing proportion of new hires among staff at the agency. However, the percentage of voluntary turnover has not varied greatly during this period of time (see Attachment A). The fifty percent figure in the question results from comparing the numbers of resignations in FY 2005 and 2006 with the average for the FY 1999 to 2004 period. Since the start of FY 1999, however, the proportion of GAO staff with less than five years at the agency has increased from 9.8% of all staff to 36.7%, while the median years of GAO service for all staff has declined from 15.3 years to 8.5 years. For analyst and related staff only, the percent with 5 or less years of service has increased from 11.6 at the start of FY 1999 to 41.6 at the beginning of FY 2007.

Throughout the entire period, the resignation rates for these newer staff have, as expected, been higher than the rates for staff with more than five years. Since newer staff tend to have higher resignation rates, and since the proportion of new staff has been rising steadily, the modestly higher numbers of resignations experienced are expected, and we will continue to incorporate their impact into our workforce planning process. Attachment B shows 2 charts which display the significant change in GAO employees' years of service during this time frame.

6. In their written statements, both Curtis Copeland from CRS and Professor Charles Fay from Rutgers University point out that GAO employees, in particular th incumbents of the jobs being compared to the marketplace, were not substantively involved in either describing the jobs or in determining the adequacy of the matches to the private sector. Why didn't GAO involve job incumbents in process? In addition to greater accuracy, wouldn't this improve employees' trust in the study?

GAO's market ranges cover all analyst, attorney and administrative professional and support staff employees. The direct involvement of approximately 3000 incumbents dispersed throughout the country would have presented practical difficulties. Furthermore, employees obviously have a direct conflict of interest in evaluating their own positions for pay purposes. Since the purpose of GAO's Employee Advisory Council is to seek and convey the views and concerns of the employee groups it represents, GAO elected to use three Employee Advisory Council (EAC) members as focal points for the study. These individuals, along with a core of Senior Executives, served as career stream focal points to provide subject matter expertise and input. All focal points, including the EAC members, provided input to Watson Wyatt on the nature of the work and reviewed the adequacy of the job matches. The Senior Executives involved in the process have direct knowledge of and experience in GAO's work at all levels. Furthermore, most of them have progressed through the various levels at GAO and are familiar with the different roles and responsibilities. Therefore, their input along with that of the EAC members provided ample subject matter expertise to ensure accurate input to the process.

As I have testified, as a result of the pay study, pay ranges for about 25 percent of our employees were raised. About 10 percent of our employees were found to be paid above market levels based on their roles, responsibilities and/or relative performance in 2006. This declined to about 5 percent in 2007. This outcome was not good news for affected employees. I do not know if the outcome of the study would have been more acceptable to staff if there had been additional representation by employees, but I don't believe the results would have been any different.

Question 7. Professor Fay also notes that GAO and Watson Wyatt used off-the-shelf pay data. If GAO's work is so unique and likely to be more decision-critical than that of consultants or nonprofits, why did GAO elect to use off-the-shelf pay data from these organizations?

Professor Fay's May 22, 2007 written testimony states that "given the uniqueness of the jobs involved, I was surprised that Watson Wyatt used off the shelf commercial surveys rather than developing a specific survey to cover the job set." He also stated that "the work of GAO analysts is likely to be more critical than that of analysts in many non-profits." The question reflects Dr. Fay's opinion about the comparability of GAO's work to analytical work done in consulting and or non-profit organizations.

The Washington, DC area has one of the largest concentrations in the world of attorneys, economists and analysts, including individuals with Masters Degrees in Public Policy, Public Health, Healthcare Policy and other disciplines related to GAO work. As such, local salary surveys are highly credible and have robust participation. As a professional services organization, we believe that many GAO positions can be matched to similar jobs represented in such published survey data. In consultation with Watson Wyatt, our compensation consultant, we determined that a custom survey was not necessary. Given the abundance of existing credible information, a custom survey would not have garnered participation of many comparator organizations nor provided nearly as robust a market sample. However, published salary data was supplemented with additional data collected by GAO from some federal agencies (e.g., OMB, CBO, CRS, SEC, etc.), law firms, and major international accounting firms.

Question 8. Section 3 of the GAO Human Capital Reform Act required the Comptroller General to adjust annually the pay of all GAO employees performing in a satisfactory manner "to such extent as determined by the Comptroller General." Do you believe that this language allows you to provide no pay adjustment at all to GAO employees who are performing in a satisfactory manner because "extent" could mean zero? Is that your understanding of what Congress expected when it passed the legislation?

I believe that the language in Section 3 of the GAO Human Capital Reform Act, read in its entirety, and including the use of the word "extent," allows me to decide the amount of the annual permanent across-the-board pay adjustment for employees, including the option of providing no adjustment to all or certain employees even if they are performing at a satisfactory level. At the time I implemented the GAO market-based compensation system, I believed that Congress had the same opinion.

Based on the results of the competitive market-based study performed by Watson Wyatt and the Section 3 factors in the Human Capital Reform Act of 2004, I determined that providing across-the-board pay adjustments to employees whose pay is in excess of competitive compensation levels was not appropriate. However, while I had the legal right to freeze the pay of these employees, I did not do so and instead made them eligible to receive some performance-based compensation. Following my recent testimony before your subcommittee and the House of Representatives Subcommittee on Federal Workforce, Postal Service and the District of Columbia, however, I realized that there were differences in the expectations of some members of Congress and myself regarding the implementation of Section 3 of the Act. Consistent with my testimony and at the request of several members, I am open to working with Congress to finding a reasonable, affordable and equitable solution to address this situation.

Question 9. As you know, I am very interested in how new personnel reforms impact preference eligible federal workers. Please provide the number of veterans who are employed at GAO; the number who are analysts and are in Bands I, II, IIB and III, respectively; the number who received performance-based pay in 2005 and 2006; and the number who did not receive a COLA in 2005 and 2006.

6/29/2007

As of June 2007, GAO has 209 GAO staff eligible for veterans' preference. Of these, 143 are in the Analyst and Related pay plan (Pay Plan PE), distributed as follows.

Band III	17
Band IIB	35
Band IIA	63
Band II	3
Band I	25
Total	143

The following chart reflects GAO staff eligible for veterans' preference during the past two performance cycles.

	Veterans Eligible for PBC		Veterans Eligible for Annual Adjustment	
	2005 cycle	2006 cycle	2005 cycle	2006 cycle
PE Band III	21	18	21	18
PE Band IIB	27	30	27	30
PE Band IIA	79	64	81	65
PE Band II	4	3	4	3
PE Band I	17	13	32	29
PA (Attorney)	5	6	5	6
APSS-AC	8	7	8	8
APSS-MS	7	8	8	8
APSS-PT	35	36	38	43
SES/SL	n/a	n/a	7	5
WG	n/a	n/a	2	2
Totals	**203**	**185**	**233**	**217**

Salary adjustments for the FY 2005 performance cycle were paid in January 2006. At the time of the January 2006 pay adjustments, 203 employees eligible for veterans' preference were assessed for Performance-Based Compensation (PBC). Of these, 194 received PBC. For the FY 2006 performance cycle, 183 out of 185 veterans who were assessed received PBC in February 2007.

With regard to the January 2006 annual adjustment (COLA), 65 of the 233 eligible veterans' preference staff did not receive this adjustment[2]. In January

[2] The number of employees eligible for PBC in any given year is less than the number eligible for the annual adjustment. Each year about 2,450 total staff are assessed for PBC out of 3,150 on board GAO-wide. Staff who are not assessed for PBC are primarily staff in the Professional Development Program, but also includes Senior Executive/Senior Level employees, General Schedule and Wage Grade staff, as

2007, 29 of 217 employees eligible for veterans' preference did not receive an annual adjustment.

Question 10. How do you respond to the conclusions of the Personnel Appeals Board (PAB) General Counsel and CRS that the GAO Human Capital Reform Act does not permit you to withhold annual pay increases from employees with satisfactory performance ratings? Is there something in the statute or the legislative history that you believe supports another interpretation?

As I stated at the May 22 hearing, Ms. Wagner is an advocate and not a judge. She is entitled to her opinion but I strongly disagree with her. Not providing annual across-the-board increases to employees paid above competitive compensation limits, even if they are performing at a satisfactory level, is fully consistent with the express statutory criteria I am required to consider under the Human Capital Reform Act of 2004.

Section 4 of the Act clearly provides the authority to freeze the pay of certain employees. It establishes a new pay retention provision for GAO to apply to employees who, for certain enumerated reasons, have been placed in or hold a position in a lower band or grade with a maximum rate of basic pay that is less than the rate of basic pay payable immediately before the reduction. These employees do not receive any permanent adjustments to their basic pay until the maximum for their band exceeds their rate of pay.

For individuals not on pay retention, Section 3 gives the Comptroller General flexibility in regard to who will receive an annual adjustment and how much, if any, the annual adjustment will be. It provides for the Comptroller General to review various factors and determine to what "extent" an employee's permanent pay shall be increased. Taken as a whole, the language supports that the Comptroller General could decide that some or all employees would not receive an annual adjustment if the factors in Section 3 support this determination. Importantly, the provision does not state that employees who are performing at a satisfactory level are entitled to across-the-board pay increases. Rather, it is silent on this issue and states instead that employees who are not performing at a satisfactory level cannot get a pay increase. The provision also gives to the Comptroller General the authority to decide which employees are performing at a satisfactory level.

In reaching my conclusion, I am cognizant that the legislative history could be read to support a different interpretation. It states that "[a]bsent extraordinary circumstances or serious budgetary constraints, employees or officers who perform at a satisfactory level would receive an annual base pay adjustment based on compensation surveys that are tailored to the nature, skills, and composition of GAO's workforce." S. Rep. No. 216, 108th Cong., 1st Sess.

well as new mid-level hires who are hired less than 90 days before the end of the appraisal cycle. These staff have different performance-based pay systems.

(2003). However, it is a long established principle of law that legislative history is only relevant when the statutory language is not clear. Furthermore, even under this alternative interpretation, the Comptroller General has the authority to determine who is performing at a satisfactory level and tailor the definition to the results of the compensation study. Indeed this is what occurred when due to the huge overlap between the Band IIB and Band III pay ranges, the Comptroller General placed a speed bump at the 75th percentile for Band IIB's and determined that for employees paid at or above the speed bump, only employees who were in the top 50% of their band and team were performing satisfactorily for purposes of receiving an annual across-the-board adjustment.

Moreover, to rely upon this legislative history would undercut, rather than further, a primary purpose of Section 3, i.e. to no longer require the Comptroller General to provide annual pay increases at the same time and to the same extent as the executive branch and give the Comptroller General the discretion to use market-based factors to determine annual pay increases. The statute specifically requires, among other things, that the Comptroller General consider an express list of factors, including equal pay for work of equal value, pay disparities, and pay rates between GAO employees and private sector employees in each GAO pay area, the need to protect the purchasing power of GAO employees, the appropriate distribution of funds between the annual adjustment and performance-based pay, and other criteria. A consideration of these factors could suggest that the pay ranges for some positions do not warrant an annual pay adjustment, as in fact was the case with some GAO analyst and specialist positions. It is simply not reasonable, when viewed in light of this statutory scheme, that in such a situation employees should still get annual across-the-board pay increases based solely on their performance if they are already compensated above applicable market-based salary levels. Such an interpretation would be fundamentally inconsistent with one of the primary purposes for which the law was enacted.

Accordingly, under the annual adjustment provision, it is clear that satisfactory performance is required to receive an annual across-the-board adjustment but satisfactory performance alone does not mandate an annual adjustment unless the statutory criteria have been considered and support such an adjustment.

Question 11. You testified that the Band II split was based on the PDRI study in 2000. Please describe the differences and similarities in the job duties and responsibilities for the Band IIA and Band IIB analysts.

In response to questions asked by Chairman Davis at the May 22, 2007 hearing, I discussed the Band II restructuring. In my responses, I stated that I was aware that different types of roles and responsibilities existed within Band II from early on in my tenure at GAO. The appraisal validation activities conducted by PDRI in 2000 confirmed that certain work activities were not uniformly performed by all Band II employees. While the PDRI study was a factor in the decision to restructure Band II, it is not accurate to say that the restructuring was based on PDRI's findings.

The major difference between Band IIA and Band IIB analysts is the expectation regarding engagement leadership and supervisory responsibilities. The analyst in the IIA pay range is generally expected to be an individual contributor on a broad range of engagements, may be responsible for major segments of an engagement, or based on the needs of the client and/or office, may on occasion lead selected less complex engagements. The analyst in the IIB pay range is generally expected to lead a full range of engagements, including large, complex, highly matrixed, sensitive and/or high-risk engagements on a recurring basis. Moreover, an analyst in the IIB pay range is expected to display a mastery of certain methods and techniques as well as insight, experience and judgment in managing all aspects of the work, while providing input to develop and implement various organizational policies and changes, etc. As engagement leaders, analysts in the IIB pay range are expected to recognize and leverage members' knowledge, skills and abilities; assign tasks to engagement team members; consistently provide appropriate direction, guidance, and opportunities; motivate and teach others to achieve high-quality results in a timely manner; and provide input on performance appraisal for engagement staff. The "developing people" competency is applicable to Band IIB analysts in recognition of the expectation of these supervisory responsibilities.

Question 12. The GAO Personnel Act of 1980 requires that the GAO personnel system to provide a labor-management relations program that is consistent with chapter 71 of title 5, U.S. Code. The legislative history of the Act indicates that consistency with chapter 71 does not necessarily mean that the program must incorporate each every provision of chapter 71

a. Can you describe how collective bargaining at GAO may differ from the kind of bargaining that is conducted under chapter 71?

If a union were certified at GAO, we would expect to bargain in good faith over terms and conditions of employment for represented employees in the same ways that executive agencies do under Chapter 71. The only difference would be that to the extent that GAO's Personnel Act exempts GAO from government-wide rules or regulations and places matters within the discretion of the Agency, our bargaining obligations would extend to those matters as well. The prime example of this would be a bargaining obligation over employee compensation, such as the allocation of budgeted dollars for bargaining unit employees, since the agency has discretion over this area (within certain limits) and it is not subject to Government-wide rule or regulation. (See response to question 12b below.)

b. Is bargaining over wages possible if restrictions on such bargaining under chapter 71 have not been incorporated into GAO's labor-management relations program?

In accordance with the principles referred to in our response to Question 12a, bargaining over wages is possible if a union is certified at GAO, subject to applicable statutory provisions and management's right to set the agency's budget. The Federal Labor Relations Authority has held that substantive proposals regarding employee compensation are negotiable where the matters proposed are not specifically provided for by law and are within the discretion of the agency, and where the proposals are not otherwise inconsistent with law, Government wide-rule or regulation, or an agency regulation for which a compelling need exists. Therefore, if a union is certified, GAO's obligation to bargain in good faith would extend to certain employee compensation matters. However, GAO is not required to bargain over pay levels that are not supported by the budget or that exceed statutory limits.

6/29/2007

Attachment A

Turnover Rates for Analysts and Analyst-Related

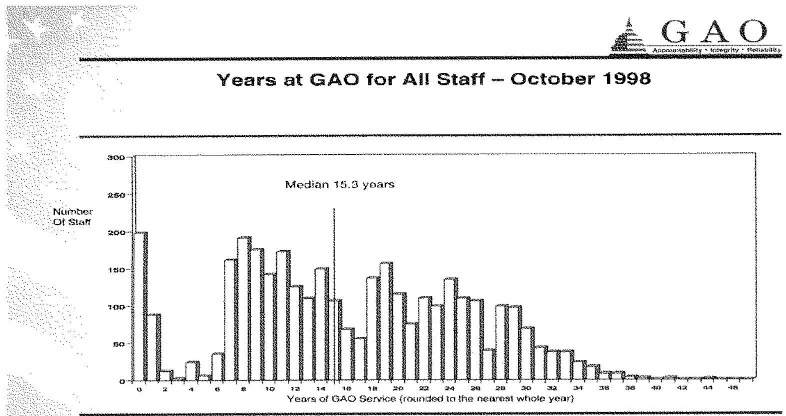
FY	On Board and Not Retirement Eligible	Total Non-Retirement Attrition	"Quit" Rate
2004	2,745	155	5.65%
2005	2,754	182	6.61%
2006	2,714	189	6.96%
2007	2,774	115	4.15% *

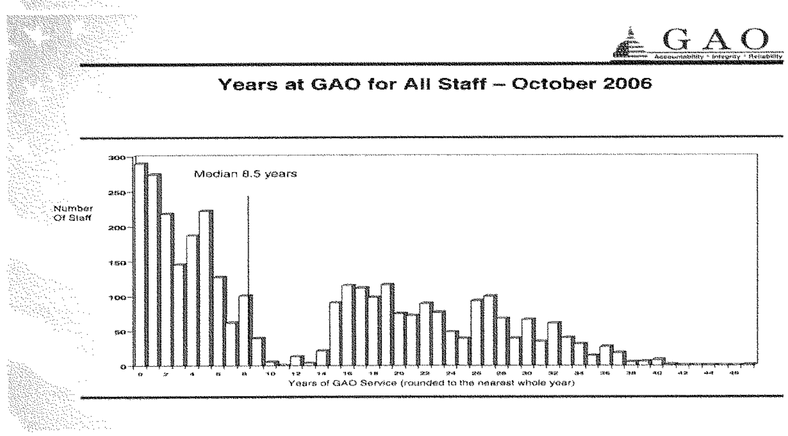
***Note:** FY 2007 data is through May 26. We expect to finish this fiscal year at about 7.0%.

6/29/2007

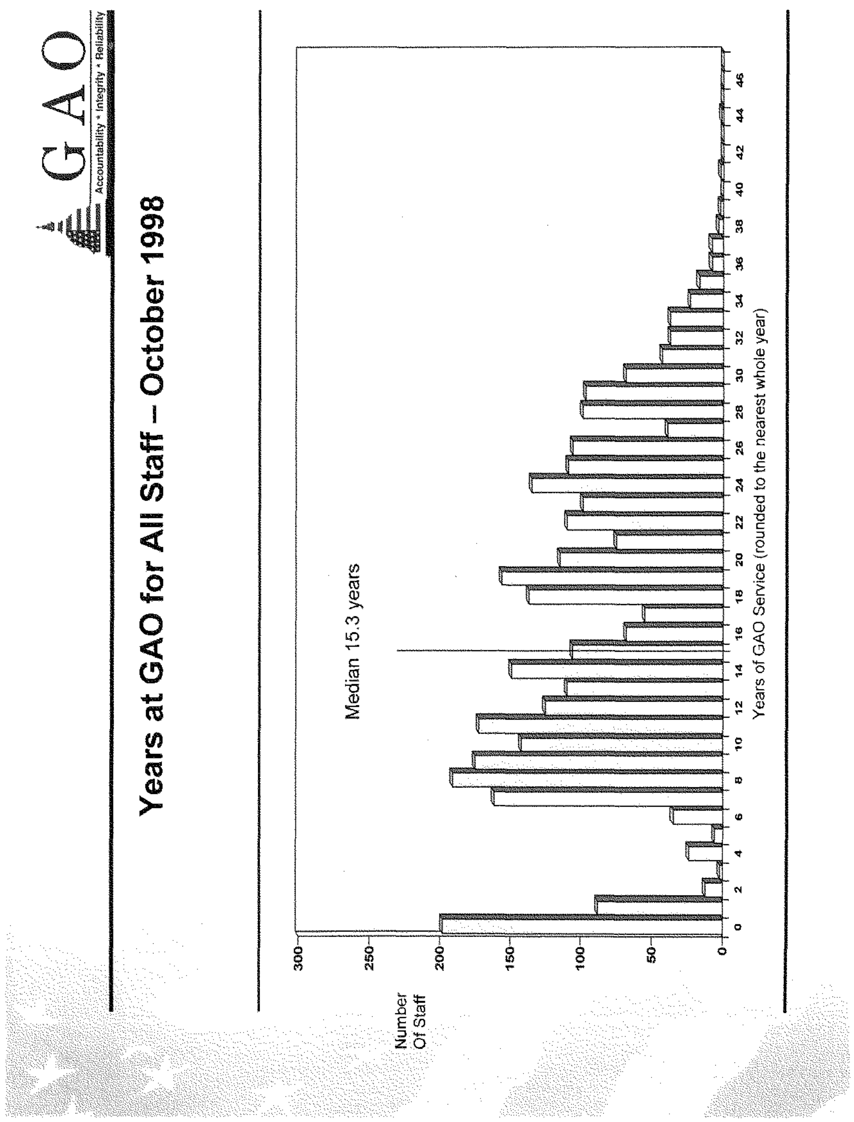
Attachment B

Years of GAO Service



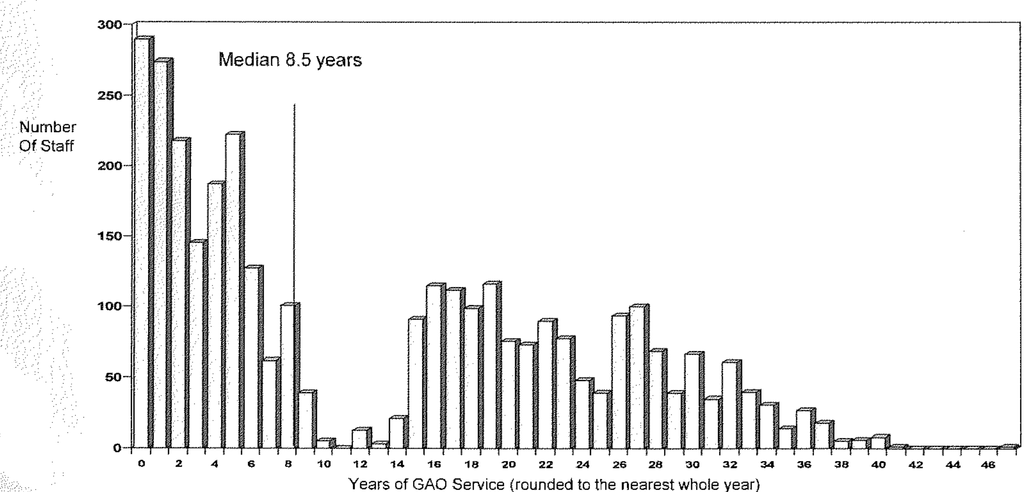


Note: As a result of severe budget cuts, GAO began a significant downsizing in April 1992, dropping from a staffing level of over 5,350 at that time to 3,275 by the end of FY 1997. During the FY 1993 to 1997 period, GAO was able to fill only an extremely limited number of critical vacancies, averaging only 34 new hires per year. This resulted in a very small cohort of staff with those GAO start dates, which can be seen on the charts.


GAO
Accountability * Integrity * Reliability
Years at GAO for All Staff – October 1998
Median 15.3 years
Number
Of Staff
Years of GAO Service (rounded to the nearest whole year)

GAO
Accountability * Integrity * Reliability

Years at GAO for All Staff – October 2006



ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Ms. Ann Wagner
General Counsel
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Wagner:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Ms. Anne Wagner
General Counsel, Personnel Appeals Board, Government Accountability Office
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. Ms. Janice Reece, the former General Counsel of the Personnel Appeals Board (PAB) notes in her written testimony that the new personnel reforms resulted in many employees inquiring about their rights to challenge personnel actions. What education programs or training is provided to Government Accountability Office (GAO) employees about their rights and protections?

2. Ms. Reece also notes in her written testimony that the PAB suffers from staffing shortages and raises questions over its independence from the Comptroller General as well as the PAB General Counsel's independence from the PAB. What is your assessment of the independence of the PAB and that of the General Counsel and do you believe Congress should take any action to improve the PAB's and the PAB General Counsel's independence?

3. In Mr. Seltzer's written testimony, he notes that there is pressure from the top of GAO to avoid rating inflation and, as a result, individual ratings are often lower than deserved. In investigating the complaint raised by the 12 GAO employees who recently settled, is this something you looked into and, if so, did you find any evidence of that?

4. You said in your testimony that in your interviews during the course of your investigation most of the Managing Directors said that they had not perceived any inadequacies with the existing Band II structure and had not conveyed any dissatisfaction with it to Mr. Walker or the Executive Committee prior to the restructuring. As such, what, in your opinion, led to the Band II split and what is your assessment of the reasons for the restructuring?

5. You testified that you were prepared to argue that GAO's restructuring did not include effective transparency because GAO did not tell employees that performance at "meets expectations" level could lead to a demotion. Please explain how "meeting expectations" could lead to a demotion.

6. Section 732(d)(1)(D) of title 31, United States Code, requires the GAO personnel management system to provide for a performance appraisal system that includes "effective transparency and accountability measures to ensure that the management of the system is fair, credible, and equitable, including appropriate independent reasonableness, reviews, internal assessments, and employee surveys." Given the complicated use of Standardized Rating Scores and other

issues, do you believe that the GAO appraisal system meets the statutory standard?

June 29, 2007
DM No. 2004269

The Honorable Danny K. Davis
Chairman, Subcommittee on Federal Workforce,
Postal Service, and the District of Columbia
United States Congress
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Chairman Davis:

This is in response to your letter dated June 15, 2007 forwarding six additional questions from Senator Daniel K. Akaka (D-HA) regarding my testimony on May 22, 2007, concerning the legal challenge to the restructuring of the Band II analyst workforce at the Government Accountability Office (GAO). The questions and my corresponding replies are set forth below.

1. **Ms. Janice Reece, the former General Counsel of the Personnel Appeals Board (PAB) notes in her written testimony that the new personnel reforms resulted in many employees inquiring about their rights to challenge personnel actions. What education programs or training is provided to Government Accountability Office (GAO) employees about their rights and protections?**

   I am told that prior to the advent of the internet, Board members and staff traveled to regional offices and met with headquarters units of GAO to inform employees of their rights and protections. With internet technology, the Board is able to reach more people, with more information, in a shorter period of time and for far less money.

   The web site of the Personnel Appeals Board (PAB or Board) (www.pab.gao.gov) provides extensive information about the rights and protections afforded GAO employees pursuant to the Government Accountability Office Personnel Act. This includes information regarding a challenge to a personnel action, as well as rights and protections relating to labor relations, discrimination, prohibited personnel practices and the Hatch Act.

Pursuant to its statutory authority, the Board conducts oversight of GAO's programs, policies, and practices relating to laws prohibiting employment discrimination through a process of review and assessment that culminates in evaluative reports containing specific recommendations to the Agency. These oversight reports, which are also available on the PAB website, provide an excellent opportunity to educate GAO employees about their EEO rights and protections. For example, the Board has issued reports on GAO's discrimination complaint process, mediation program, system for requesting reasonable accommodation of a disability, and the various alternative work programs available.[1] In each of the reports, very specific information about each program and process was provided, enabling employees to more fully understand what is available at GAO and how to access it.

In addition to the information available to GAO employees through the PAB website, the PAB Office of General Counsel responds daily to employee inquiries regarding their rights and protections, while the Clerk of the Board and the Board's Solicitor provide procedural advice about the adjudicatory process. Furthermore, when requested by employee groups, the Board provides speakers to address matters of concern.

To date, I have not investigated a charge relating to GAO-sponsored programs and training designed to educate employees with regard to their rights and protections and therefore lack a foundation for responding to questions relating to that topic. GAO's Human Capital Office will likely have the requisite information to be more responsive to your inquiry.

2. **Ms. Reece also notes in her written testimony that the PAB suffers from staffing shortages and raises questions over its independence from the Comptroller General as well as the PAB General Counsel's independence from the PAB. What is your assessment of the independence of the PAB and that of the General Counsel and do you believe Congress should take any action to improve the PAB's and the PAB General Counsel's independence?**

Throughout its twenty-seven year history, the Personnel Appeals Board has operated as an independent entity by virtue of the statutory scheme which governs it and as reflected in its own regulations and decisions of the courts. When Congress created the PAB in 1980 as part of the GAO Personnel Act, it built in safeguards to ensure the PAB's independence. These safeguards include limiting Board members to five year non-renewable terms; mandating that selectees have specific relevant skills; providing

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[1] *See also Employment of Hispanics at GAO, Reasonable Accommodation at GAO,* and *Minority Recruitment at GAO.*

that a Board member can only be removed by the Board, for cause, and not by GAO;[2] prohibiting consideration of former or current GAO employees for Board vacancies; and providing for the Board's decisions to be reviewed by the United States Court of Appeals for the Federal Circuit.

The Board's regulations, which were promulgated to carry out its statutory mandate, plainly reflect the PAB's independence from GAO. Under this regulatory scheme, GAO is treated as a party having no more or less rights than employee or employee groups litigating claims before the Board.

Moreover, the Board's independence has long been recognized by the courts. Shortly after the Board was established, the United States Court of Appeals for the District of Columbia Circuit (Board cases now go to the United States Court of Appeals for the Federal Circuit) concluded that "Congress ... sought to guarantee employee rights [at GAO] by establishing an independent, internal board [the PAB] available to enforce and adjudicate those rights." *GAO v. GAO/PAB*, 698 F.2d 516, 523 (D.C. Cir.1983). The decision goes on further to note that the statute "establish[ed] the PAB as a discrete, independent entity...." *Id.* at 531.

With regard to the relationship between the Board and its General Counsel, the GAOPA does not require or even contemplate that the latter be independent from the former. On the contrary, the Act expressly provides that the General Counsel serves at the pleasure of the Board Chair. Further, the Act is clear that the duties of the PAB/GC involve conducting investigations and "help[ing] the Board carry out its duties and powers."

In light of the foregoing, it is my opinion that the Board's independence is well established and maintained and requires no further Congressional action.

3. **In Mr. Seltser's written testimony, he notes that there is pressure from the top of GAO to avoid rating inflation and, as a result, individual ratings are often lower than deserved. In investigating the complaint raised by the 12 GAO employees who recently settled, is this something you looked into and, if so, did you find any evidence of that?**

The decisions regarding the initial placement into Band IIB rested, to a large degree, on employee ratings for the three years covered by FY 2002-2005. Consequently, one of the issues that we investigated as part of the twelve Band II cases was whether the GAO managers reliably measured employee performance against the governing performance standards during that time period. Early in the litigation relating to the Band II cases, I had spoken at length with Mr. Seltser about a number of issues in the restructuring cases, including the question of pressure on GAO managers to keep

[2] *See AFGE v. Gates*, No. 06-5113 (D.C. Cir., May 18, 2007)(ruling that one indicia of an agency's independence is whether removal of a member is limited to good cause shown.)

ratings low. At that time, he agreed to testify as to his knowledge of and experience with that practice when the Band II cases went to hearing. Based upon information and belief, his testimony would have been supported by others.

4. **You said in your testimony that in your interviews during the course of your investigation most of the Managing Directors said that they had not perceived any inadequacies with the existing Band II structure and had not conveyed any dissatisfaction with it to Mr. Walker or the Executive Committee prior to the restructuring. As such, what, in your opinion, led to the Band II split and what is your assessment of the reasons for the restructuring?**

Addressing the latter part of the question first, it should be noted that the Comptroller General, David Walker, made the decision to restructure the Band II analyst/specialist workforce. According to Mr. Walker, the primary reason for the split was to ensure that analysts receive "equal pay for work of equal value over time." However, GAO failed to produce any documented evidence that Band II analysts were not receiving equal pay for work of equal value over time under the agency's existing pay-for-performance system.[3]

During the investigation and discovery phase of the Band II cases, GAO repeatedly attempted to tie the restructuring to two studies performed by consulting firms with whom it had or has longstanding contracts: the job survey done in 2000 by Personnel Decisions Research Inc. (PDRI) and the Watson Wyatt compensation study in 2004. However, upon examination, neither study demonstrated a need to split the Band II analyst/specialist workforce.

Specifically, GAO contracted with PDRI to develop, *inter alia*, a competency-based performance system. In validating the competencies that it had devised as part of its contract, PDRI surveyed employees in 2000 to determine the relevance of enumerated work activities related to each competency. Of those who responded, 22.6% of Band IIs indicated that the "developing people" competency was not relevant, while 21.7% of them indicated that the "investing resources" competency was not relevant to their performance. GAO refers to these survey results as the "bimodal" response and repeatedly cited this as a basis for its conclusion that there were two distinct positions within Band II, namely, the individual contributor and the analyst-in-charge[4]. However, at time of the survey, PDRI had not collected the information relating to the respondents' job duties against which to test GAO's assumption that the bimodal response evidenced the existence of two positions at the Band II level.

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[3] Although Mr. Walker testified in his deposition that GAO's statistician had done an analysis suggesting that there was a "negative correlation" between performance and pay at the cap for Band II, GAO did not produce any such analysis.

[4] At GAO, an analyst-in-charge (AIC) is responsible for leading the engagement.

Nevertheless, years later, PDRI reported that GAO had, in the interim, collected data as to whether or not respondents had served as engagement leaders (AICs) or individual contributors. *See* PDRI Technical Report No. 538 (2006) at 2. PDRI did not indicate how GAO collected this information. Putting aside the reliability of using after-acquired data to reanalyze the 2000 survey, we found that the new information undermined, rather than supported, GAO's original assumptions that the "bimodal" response reflected two positions at the Band II level and that the respondents who said that "developing people" and "investing resources" were relevant to their work were AICs.

Of 1208 respondents to the 2000 survey, GAO identified 767 as AICs and 441 as individual contributors. Even assuming that the 22% of all respondents who indicated that the "developing people" and "investing resource" competencies were not relevant to their work were individual contributors, there would still be a substantial (40%) percentage of individual contributors who believed these competencies were relevant to their job performance. Significantly, however, not all of those responding negatively to the relevancy questions were individual contributors. On the contrary, the percentage of AICs who responded that the eleven enumerated work activities under the "developing people" and "investing resources" competencies were not relevant was considerable, in no case lower that 10% and in some instances reaching as high as 30% and 37%. Thus, GAO's assumption that the overall percentages reflected a *de facto* split in the Band II was not justified.

GAO likewise cited the Watson Wyatt compensation study in 2004 as necessitating the decision to restructure the Band II Analyst/Specialist force. Specifically, it has claimed that the Watson Wyatt study identified and confirmed the existence of two distinct positions within Band II. However, this assertion is at odds with Watson Wyatt's own characterization of its study as set forth in a briefing that was provided the Executive Committee on October 29, 2004. *See Government Accountability Office, Executive Committee Briefing: Compensation Design Options* (Oct. 29, 2004). Among the design characteristics that Watson Wyatt identified as originating with the Executive Committee was that "[t]he difference between Band 2 'leaders' and 'individual contributors' should be recognized." *Id.* at 5. Watson Wyatt clearly designed its study presuming the existence of two separate positions at the Band II level pursuant to the Executive Committee's direction, rather than independently discerning such a bifurcation in the Band after examination of the GAO workforce.

Had the Band II cases gone to hearing, the PAB/OGC would have been required to show that the petitioners' demotions were not for such cause as promotes the efficiency of the service. That burden would have only necessitated a showing that GAO's asserted reasons for restructuring the Band II were not supportable. Consequently, there was no need in the context of these cases to investigate any other reason GAO may have had to split the Band II. However, some GAO employees have pending claims in other fora alleging that the restructuring was discriminatory. Because these claims may ultimately come to this Office for investigation, it would not be appropriate for me to speculate now as to what actually led to the Band II restructuring.

5. You testified that you were prepared to argue that GAO's restructuring did not include effective transparency because GAO did not tell employees that performance at "meets expectations" level could lead to a demotion. Please explain how "meeting expectations" could lead to a demotion.

My testimony concerned the matter that was the subject of the Band II litigation, namely, the placement of employees from Band II to Band IIA pursuant to GAO Order 2900.3. It was not intended to suggest that GAO's performance management system generally authorizes demotions of employees who are meeting expectations. However, within the context of the Band II restructuring process, GAO did effectively demote[5] the twelve petitioners in the Band II cases, whose performance ratings were at meets expectations and above. This occurred because GAO essentially reduced the "past performance" criterion set forth in GAO Order 2900.3 to a numerical qualification based on the top 50% of the employee's team deemed eligible for placement into Band IIB. This numerical standing was based on the employee's standardized rating score (SRS) averages for the three previous rating cycles. These averages were, in turn, calculated from the employee's ratings for the corresponding cycle. This resulted in employees, such as the petitioners, whose ratings were very good, but not sufficient to elevate his/her SRS average above 50%, being effectively demoted - despite their good ratings – from Band II to Band IIA. Moreover, during the operative ratings periods, employees were not given any notice that ratings of "meets expectations" and above would lead to this result.[6]

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[5] At GAO, a demotion can mean either a reduction in pay or band. *See* GAO Order 2752.1. In the Band II cases, there was ample evidence that the placement from Band II to Band IIA effected both a reduction in band, and for many, a reduction in pay. Specifically, GAO formed the Band II in 1989 by merging former GS-13 and GS-14 analysts and specialists. The restructuring effectively reinstituted the two grade/pay classifications with the Band IIB being the GS-14 and the Band IIA being the GS-13. Thus, for analysts, such as one of the petitioners, who were, in fact, at the GS-14 grade level prior to 1989, placement into the Band IIA meant a demotion to the GS-13 equivalent. Similarly, for other employees at the top of the Band II or GS-14 equivalent with considerable years in service, reassignment to the Band IIA or GS-13 equivalent constituted a demotion. Moreover, the competencies and duties previously encompassed within the Band II were ultimately assigned to Band IIB, effectively making the Band IIA a lower band level than the Band II.

Placement into Band IIA also resulted in a reduction in pay for the petitioners who were thereby denied the annual adjustment to their basic salary. Although petitioners' annual rate of salary was not reduced, the loss of the annual adjustment results in the stagnation of wages and a real reduction in basic rate of pay.

[6] While employees might be expected to understand that high ratings are necessary for promotion, they could not reasonably be expected employees to anticipate the need to achieve high ratings in order to avoid demotion.

6. **Section 732(d)(1)(D) of title 31, United States Code, requires the GAO personnel management system to provide for a performance appraisal system that includes "effective transparency and accountability measures to ensure that the management of the system is fair, credible, and equitable, including appropriate independent reasonableness, reviews, internal assessments and employee surveys." Given the complicated use of Standardized Rating Scores and other issues, do you believe that the GAO appraisal system meets the statutory standard?**

Neither the Personnel Appeals Board nor the Federal Circuit Court of Appeals has had the opportunity to address the meaning of "effective transparency" as that term appears in the GAOPA. It is my legal opinion, however, in light of the issue addressed in question three above, and the questions as to whether GAO's standardized rating scores and averages reflect meaningful distinctions in employee performance, I believe that GAO's appraisal system could be vulnerable to attack on the grounds that it fails to meet this statutory standard.

I trust that these comments are responsive to the questions posed by Senator Akaka. If I can be of further assistance, please call (202) 512-3836) or email me at (wagnera@gao.gov).

Sincerely,

Anne M. Wagner
General Counsel

ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Mr. Curtis Copeland
Congressional Research Service
Library of Congress
Madison Building, Room 303
Washington, D.C. 20540

Dear Mr. Copeland:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Mr. Curtis Copeland
Specialist in American National Government
Congressional Research Service
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. Regarding the development of the Watson Wyatt market based survey, do you know if any Government Accountability Office (GAO) employees who worked with Watson Wyatt were actually doing the jobs described in the survey? What was GAO's rationale for excluding the GAO employees from this process? Were the salary data that Watson Wyatt used to compare to GAO salaries drawn from organizations that GAO competes with for talent?

2. You indicated in your testimony that GAO and others previously indicated that the Watson Wyatt data led to the splitting of Band II into the A and B levels, but now GAO is saying something different. Can you be more specific?

Congressional Research Service

Memorandum June 22, 2007

TO: Honorable Danny K. Davis
Attention: Tania Shand

FROM: Curtis W. Copeland
Specialist in American National Government
Government and Finance Division

SUBJECT: Post-Hearing Questions from Senator Akaka

This memorandum is in response to your request that I provide answers to questions posed by Senator Daniel K. Akaka for inclusion in the record of the May 22, 2007, hearing on the implementation of the GAO (Government Accountability Office, formerly the General Accounting Office) Human Capital Reform Act of 2004. If you have any questions, please do not hesitate to call me at (202) 707-0632.

Question 1 – Regarding the development of the Watson Wyatt market based survey, do you know if any Government Accountability Office (GAO) employees who worked with Watson Wyatt were actually doing the jobs described in the survey? What was GAO's rationale for excluding the GAO employees from this process? Were the salary data that Watson Wyatt used to compare to GAO salaries drawn from organizations that GAO competes with for talent?

Answer 1 – As I said in my written statement, GAO told CRS that it did not ask incumbents of the jobs used in the Watson Wyatt market based pay study to describe their jobs or to validate the job matches used in the study because "there were not significant differences by individual employees that needed to be identified and/or clarified." It is not clear how any lack of differences by employee within a position is relevant to the involvement of GAO job incumbents in the process. If anything, similarity in job duties across employees in a position would mean that only a few incumbents for each position would need to be involved in the study, making the process of job description and match validation easier than if there were significant differences in job duties by employee (which would likely require the involvement of more employees to capture those differences).

GAO said it primarily relied on senior executives in the agency to describe the targeted occupations, noting that they "have extensive years of GAO experience and many have worked at all levels in the organization. They brought to this task direct knowledge of the positions and associated levels of responsibility." Although these executives may have extensive knowledge and experience, it is unclear how relevant that knowledge and experience would be to describing the current duties of the targeted positions. GAO senior executives are unlikely to have directly supervised any Band I or Band II employees in recent years. Also, even if GAO senior executives had served in Band I and Band II positions in the agency at some point in their careers, that experience would likely have been a number of years ago. Those positions may have changed so dramatically in the interim that their experience could be of questionable value in developing current job descriptions.

Another explanation for why current job incumbents were not involved in the Watson Wyatt study was offered by a former GAO official who was primarily responsible for the implementation of the new pay system. In a meeting with CRS and congressional staff, she said that GAO employees were not involved in describing their jobs to Watson Wyatt because of concerns that they would inflate their duties and responsibilities.

Although GAO previously told CRS that the Watson Wyatt salary data "involved various employers that we typically compete with for talent," GAO later told CRS that it "does not compete directly with every one of the multitude of employers contributing to the various market surveys used by Watson Wyatt in developing proposed salary ranges for GAO positions." GAO also said that, "Other than the Federal government, GAO did not have systematic data on the specific organizations with which we directly compete." Therefore, it is not possible to determine the extent to which the salary data that Watson Wyatt used to compare to GAO salaries were drawn from organizations that GAO competes with for talent. The pay surveys that Watson Wyatt used to develop market pay rates were chosen based on whether Watson Wyatt (and GAO) believed the survey descriptors matched the targeted GAO positions — not whether GAO competed with the firms that contributed data to the surveys.

Question 2 – You indicated in your testimony that GAO and others previously indicated that the Watson Wyatt data led to the splitting of Band II into the A and B levels, but now GAO is saying something different. Can you be more specific?

Answer 2 – In an October 2005 document provided to GAO employees ("Band II Restructuring: Frequently Asked Questions"), GAO said "The Watson Wyatt study, when comparing GAO's roles, responsibilities and pay to the related market found two distinct roles within our existing Band II level and the related market study validated that these two roles should have different pay ranges." Also, press descriptions have characterized the Band II split as based on the Watson Wyatt study. For example, a February 26, 2006, *Washington Post* article by Stephen Barr ("GAO Pay Restructuring Already Having an Impact," p. C-2) said "GAO restructured its pay based on a study of its competitors in the labor market." However, GAO later told CRS that "it is not accurate to say the Watson Wyatt data revealed a need to restructure positions at Band II, but rather that survey descriptors reflecting leadership and supervisory responsibilities had a higher market median and supported GAO's decision to restructure the band into 2 pay levels." GAO said that it was aware of differences in roles and responsibilities within Band II prior to the Watson Wyatt study, and had requested that Watson Wyatt collect salary data at two levels within the band. GAO also said that, if Watson Wyatt had been asked to collect data at three levels, the consultant "would have endeavored to collect salary data for the number of positions and levels requested."

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 15, 2007

Mr. John Shimabukaro
Congressional Research Service
Library of Congress
Madison Building, Room 227
Washington, D.C. 20540

Dear Mr. Shimabukaro:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Daniel Akaka would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 29, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Additional Questions for the Record
For Mr. Jon Shimabukuro
Attorney, American Law Division
Congressional Research Service
Submitted by Senator Daniel K. Akaka
Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
"GAO Personnel Reform: Does It Meet Expectations?"
May 22, 2007

1. In your testimony you described Congress's understanding that the annual pay adjustments under section 3 of the GAO Human Capital Act of 2004 would be available for employees performing at a satisfactory level. In your review of the legislative history of section 3, did the Comptroller General ever indicate that the adjustments may not be available for employees whose salaries are above market salary levels?

2. Does the legislative history of section 3 suggest Congress's intention to permit the denial of the annual pay adjustments for employees whose salaries are above market salary levels?

Congressional Research Service

Memorandum June 22, 2007

TO: House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia
Attention: Tania Shand

FROM: Jon O. Shimabukuro
Legislative Attorney
American Law Division

SUBJECT: Additional Questions for the Record

This memorandum provides responses to additional questions submitted by Senators Daniel K. Akaka and Tom Coburn to be included in the hearing record of the May 22, 2007 hearing on personnel reform at the Government Accountability Office ("GAO"). The questions and responses are included below.

1. In your testimony you described Congress's understanding that the annual pay adjustments under section 3 of the GAO Human Capital Act of 2004 would be available for employees performing at a satisfactory level. In your review of the legislative history of section 3, did the Comptroller General ever indicate that the adjustments may not be available for employees whose salaries are above market salary levels?

The legislative history of the Act does not appear to include any examples of the Comptroller General indicating that the annual pay adjustments may not be available for employees whose salaries are above market salary levels. Reference to the unavailability of the adjustments for certain employees seems to have occurred only after the enactment of the Act. For example, in its *2006 Report on GAO's use of Provisions in the GAO Personnel Flexibilities Act of 2000 and the GAO Human Capital Reform Act of 2004*, GAO stated: "For calendar year 2006, the Comptroller General provided an annual adjustment of 2.6 percent to those who were performing at a satisfactory level and who were paid within applicable competitive compensation limits . . ."[1]

2. Does the legislative history of section 3 suggest Congress's intention to permit the denial of the annual pay adjustments for employees whose salaries are above market salary levels?

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[1] U.S. Gov't Accountability Off., 2006 Rept. on GAO's GAO's Use of Provisions in the GAO Personnel Flexibilities Act of 2000 and the GAO Human Capital Reform Act of 2004 (GAO-07-289SP) (2006), *available at* http://www.gao.gov/new.items/d07289sp.pdf.

The legislative history of section 3 appears to illustrate Congress's understanding that the annual pay adjustments would be available for any employee performing at a satisfactory level. *See also* response to question 3.

3. Did you find any evidence that the Congress expressly addressed the issue of providing across-the-board pay adjustments to GAO employees who were paid above market?

The legislative history of the GAO Human Capital Reform Act of 2004 does not appear to provide any illustration of Congress expressly addressing the issue of providing across-the-board pay adjustments to GAO employees who were paid above market salary levels. Rather, the legislative history shows that Congress seemed to believe that annual pay adjustments would be available for any employee performing at a satisfactory level. For example, in House Report 108-380, which accompanied the Act, minority members of the Committee on Government Reform stated: "Section 3 gives the Comptroller General discretion over annual pay raises for GAO employees. Mr. Walker has assured GAO employees that anyone performing satisfactory work will receive at least a cost of living adjustment."[2] Similarly, in Senate Report 108-216, which accompanied the Senate version of the Act, the Committee on Governmental Affairs noted: "The Committee also received a commitment from the Comptroller General that, absent extraordinary circumstances or serious budgetary constraints, employees or officers who perform at a satisfactory level will receive an annual base-pay adjustment designed to protect their purchasing power."[3]

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[2] H. Rep. No. 108-380, at 23 (2003), *reprinted in* 2004 U.S.C.A.A.N. 744, 756.

[3] S. Rep. No. 108-216, at 9 (2003), *available at* http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_reports&docid=f:sr216.108.pdf.

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 8, 2007

Ms. Ann Wagner
General Counsel
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Wagner:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Tom Coburn would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 22, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Questions for the Record
OGM Hearing on May 22, 2007
Senator Tom Coburn

For Ann Wagner

1. When a petition is filed with the Personnel Appeals Board (PAB), isn't it true that you are, as General Counsel, are serving as an advocate for the employee(s)?

2. Do your views represent the views of the full PAB?

3. Did GAO have an opportunity to comment on the written report you issued regarding the results of your investigation?

4. Did the PAB judges review and approve the written report you issued regarding the results of your investigation?

5. Ms. Wagner, you stated at a number of points that you are very confident that you would have won the case had it gone to the PAB. If that is true, and given your assertions at the hearing, why did you settle the case?

Personnel
Appeals
Board

Office of General Counsel

June 13, 2007
DM No. 1996627

The Honorable Danny K. Davis
Chairman, Subcommittee on Federal Workforce,
Postal Service, and the District of Columbia
United States Congress
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Chairman Davis:

This is in response to your letter dated June 8, 2007 forwarding five additional questions from Senator Tom Coburn (R-OK) regarding my testimony on May 22, 2007, concerning the legal challenge to the restructuring of the Band II analyst workforce at the Government Accountability Office (GAO). The questions and my corresponding replies are set forth below.

1. **When a petition is filed with the Personnel Appeals Board (PAB), isn't it true that you are, as General Counsel, serving as an advocate for the employee(s)?**

Under the Personnel Appeals Board (PAB or Board) regulations, a petition is defined as including "any request filed with the Board for action to be taken on matters within the jurisdiction of the Board, under the provisions of Subchapter IV of Chapter 7 of title 31, United States Code." 4 CFR §28.3. Because the Board's jurisdiction under 31 U.S.C. §753 is wide-ranging, its regulations contemplate a number of different types of petitions. For example, a union may file a petition seeking representational status. 4 CFR §28.110. The General Counsel may file a petition alleging an unfair labor practice on behalf of the Government Accountability Office (GAO). 4 CFR §28.121. The General Counsel may also file, *sua sponte*, a petition seeking corrective or disciplinary action in the face of an alleged prohibited personnel practice.

4 CFR §28.131-132. In these instances, the General Counsel's role is not defined by the relationship with the original charging party.

However, when a GAO employee brings a charge alleging that his/her rights under subchapters III and IV of chapter 7 of title 31, United States Code, have been violated, and the General Counsel's investigation reveals reasonable grounds to believe that such a violation has occurred, "then the General Counsel shall represent the charging party [before the Board] unless the charging party elects not to be represented by the Office of General Counsel." 4 CFR §28.12(d)(1).[1] Upon filing a petition on behalf of an employee under this provision, the PAB General Counsel becomes the employee's designated representative in the proceedings before the PAB.

2. Do your views represent the views of the full PAB?

As a general matter, under the GAO Personnel Act (GAOPA), the Personnel Appeals Board is an adjudicatory body, while the General Counsel's role is primarily investigatory. 31 U.S.C. §752(b)(3). Because different standards apply to these two functions, conclusions appropriately made in either context may differ. The twelve Band II cases settled before the commencement of the scheduled hearing before the Personnel Appeals Board. Therefore, the PAB did not make any findings with regard to the claims raised therein. Absent an adjudication of the evidence, the Board would not, and did not, express any views as to the merits of these claims.

3. Did GAO have an opportunity to comment on the written report you issued regarding the results of your investigation?

By regulation, the PAB General Counsel is authorized to disclose the results of an investigation only to the charging party. 4 CFR §28.12(c). The regulations otherwise clearly contemplate that such reports be kept confidential. For example, they are not subject to discovery and are not admissible into evidence. *Id.* Information and documents acquired in the course of a PAB General Counsel investigation are not to be disclosed except by court order. 4 CFR §28.12(i)(2). Therefore, GAO is not given a copy of the report of investigation and does not provide comments.

However, in all cases, GAO is promptly notified of a charge that is filed with the PAB General Counsel and has an opportunity to provide any relevant documents and to identify relevant witnesses. Moreover, investigations routinely involve investigatory interviews with GAO officials and employees who then have the opportunity to comment on the charge. Consequently, GAO has many opportunities in the course of an investigation to provide any evidence or legal theory that it believes weighs against a reasonable grounds determination.

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[1] Conversely, the General Counsel may not offer to represent an employee where an investigation does not disclose reasonable grounds to believe that the employees' rights have been violated. *See* 4 CFR §28.12. Under these circumstances, the employee may nevertheless pursue his/her claim before the PAB.

4. Did the PAB judges review and approve the written report you issued regarding the results of your investigation?

No. As stated in response to question 3, under PAB regulations, the PAB General Counsel is only authorized to release the statement of investigation to the charging party. 4 CFR §28.12(c). Moreover, because the claims addressed in the report are likely to be raised in a subsequent petition filed with the Board, either by the General Counsel or the employee, having a PAB judge review and approve a statement of investigation would clearly compromise the Board's subsequent ability to provide a fair and independent adjudication of a petition on its merits.

5. Ms. Wagner, you stated at a number of points that you are very confident that you would have won the case had it gone to the PAB. If that is true, and given your assertions at the hearing, why did you settle the case?

As a general rule, parties settle cases for myriad reasons that may or may not reflect the strength of their claims. Here, settlement of the Band II cases, which was the subject of my testimony on May 22, 2007, was in the best interest of the petitioners and should not be construed as suggesting my lack of confidence in their claims. Specifically, these cases were brought by twelve individual GAO employees, who challenged their placement from Band II into Band IIA under GAO Order 2900.3. I strongly urged them to accept GAO's proposed settlement terms because each of them would thereby receive all of the relief to which they would have been legally entitled had they prevailed on their claims before the Personnel Appeals Board. When a party receives in settlement everything that could be obtained through litigation, it seems manifestly imprudent and wasteful to pursue the latter course, even if one could be certain of prevailing. Of course, one can never be certain of the outcome in litigation. Nevertheless, I believe that had it been necessary to try these claims, the Personnel Appeals Board would have awarded petitioners the full relief that they received through settlement.

I trust that these comments are responsive to the questions posed by Senator Coburn. If I can be of further assistance, please call (202) 512-3836) or email me at (wagnera@gao.gov).

Sincerely,

Anne M. Wagner

Anne M. Wagner
General Counsel

ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 8, 2007

Mr. Charles H. Fay. Ph.D
Chair, Human Resource Management Department
School of Management and Labor Relations
Room 216B, Janice H. Levin Building
94 Rockefeller Road, Livingston Campus
Rutgers University
Piscataway, New Jersey 08854

Dear Mr. Fay:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Tom Coburn would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 22, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Questions for the Record
OGM Hearing on May 22, 2007
Senator Tom Coburn

For Dr. Charles Fay

1. Is it common in market-based compensation systems to provide across-the-board adjustments to persons who are paid above market?

2. Isn't it true the GS system would fail to meet the market-based pay system criteria in your statement?

3. In your opinion, would it be fair to say that the methodology used in setting the GS pay ranges and related annual updates is not well understood by most federal employees?

4. Isn't it true that there is little to no line employee involvement in determining and updating the GS pay ranges?

5. Isn't it true that GAO employees had much more involvement and much more information in connection with the determination of their pay ranges under GAO's new system than employees covered by the GS system do?

6. Is Watson-Wyatt viewed as one of the top compensation consulting firms in the United States?

Questions for the Record Charles Fay's Response

OGM Hearing on May 22, 2007

Senator Tom Coburn

1. Is it common in market-based compensation systems to provide across-the-board adjustments to persons who are paid above market?

   Most private sector organizations avoid giving across-the-board raises to any employee, whether the system is market-based or not. Most private sector organizations would never assume any employee was overpaid based on the evidence presented by Watson-Wyatt and GAO. If (a) across-the-boards were common practice in an organization and (b) the only basis for assigning an employee to a "paid above market" were the data assembled by Watson Wyatt documented in the hearings and (c) the head of the organization had stated publicly that no one would suffer because of the change in the rewards system, then all employees would receive the across-the-board increase.

2. Isn't it true the GS system would fail to meet the market-based pay system criteria in your statement?

   That is correct. While the GS uses a market referent for overall increases it is hardly a market-based pay system. I don't believe I represented it as such.

3. In your opinion, would it be fair to say that the methodology used in setting the GS pay ranges and related annual updates is not well understood by most federal employees?

   I have not seen data speaking to whether federal employees understand or do not understand the methodology used in setting GS pay ranges and related annual updates, and cannot venture an opinion. From an objective perspective the GS methodology is no more complicated than a typical job evaluation system and is much easier to understand than the regression modeling used by many market-pricing organizations. My contacts with federal employees suggests they are as competent as employees in the private sector. In addition, OPM has posted substantial information about the GS and increase determinants. (See https://www.opm.gov/oca/payagent/2006/GS-NonFederalPay.asp for an example.)

4. Isn't it true that there is little to no line employee involvement in determining and updating the GS pay ranges?

   Most of the members of the Federal Salary Council are heads of federal employee unions who presumably represent the interests of their constituencies. Of course the administration frequently does not take the advice of the Federal Salary Council, given the other pressures on the government and the economy.

5. Isn't it true that GAO employees had much more involvement and much more information in connection with the determination of their pay ranges under GAO's new system than employees covered by the GS system do?

   Senior managers certainly had more involvement. However, the GS system has been in place for many years and covers many more people. I do not believe, based on the data I have received, that non-management employees had much more involvement. In terms of information I would say there is more information available on the GS system than on the GAO's new system.

   To go a bit beyond the question, the issue is not whether the GS system is superior to or inferior to the GAO system. I hold no brief for the GS system and would recommend significant changes to it, including making it more sensitive to market rates at the job level. My criticism of the GAO market-based system is confined largely to the exceptionally shoddy work on compiling wage surveys done by representatives of Watson Wyatt that were used to determine the relationship of GAO jobs to market and the gullibility of GAO compensation specialists who accepted the data as correct..

6. Is Watson-Wyatt viewed as one of the top compensation consulting firms in the United States?

   There are only a few compensation consulting firms the size of Watson Wyatt (Hay, Mercer, Towers, etc.). All the large firms are generally considered the "top firms." The statement, however, is essentially meaningless. What matters is the consultant, not the firm. The product delivered by the Watson Wyatt' consultant to GAO was a shoddy piece of work and I expect that many Watson Wyatt consultants would agree (at least in private). I know of situations where Watson Wyatt has done very good work and I have been a subcontractor to them on several projects, including the locality pay study that served as the basis for FEPCA. I have used Watson Wyatt surveys in some projects and have recommended some organizations to buy them. It is important to recognize that none of the surveys at issue in this situation were actually done by Watson Wyatt – they were purchased from other organizations.

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 8, 2007

Mr. Barry Seltser
327 Nevada St.
Newton, MA 02460

Dear Mr. Seltser:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Tom Coburn would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 22, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Questions for the Record
OGM Hearing on May 22, 2007
Senator Tom Coburn

For Barry Seltzer

1. What hard evidence can you provide to back up your many assertions concerning GAO's performance management system and other matters in your testimony?

2. Mr. Seltser, you mentioned that in your view one of the weaknesses of the GAO approach is the assumption that "skills and performance are equally distributed across work units". Which are the highest GAO work units in terms of skills and performance and which are the lowest and what is the basis for your determination? Which units achieve the greatest outcomes and why?

June 14, 2007

Dear Chairman Danny Davis:

I am writing in response to the two questions posed by Senator Coburn after my testimony on May 22. I hope these are responsive to the Senator's concerns. If there is other information you need, please let me know. Thank you.

Barry Jay Seltser

Question 1. ("What hard evidence can you provide to back up your many assertions concerning GAO's performance management system and other matters in your testimony?")

My testimony is based on dozens of conversations with GAO staff and senior managers throughout the organization over a period of several years. The descriptions of GAO's practices reflect my own experience as a member of GAO's senior executive service, and were confirmed and reinforced by discussions with almost all the Team managing directors and staff at all levels of the organization. For example, the assertions that ratings are carefully "managed" in order to arrive at a subjectively reasonable ranking were confirmed by senior managers throughout the organization in private conversations. The statements about supervisors experiencing pressure to lower ratings were mentioned to me by supervisory staff in several Teams over the last three years I was at GAO. The discussion of pressures to avoid rating inflation was based in part on a meeting I had attended with GAO Managing Directors and the Executive Committee, where the Comptroller General clearly stated his expectation that rating averages should not be rising from year to year.

GAO staff are unlikely to speak or write openly about many of these issues. I experienced no explicit threats of retaliation at GAO, and I am not aware of anyone else who did so. But as in any large hierarchical organization, staff and managers want to be viewed as loyal team players, and are likely to prefer to avoid being labeled negatively for raising controversial views in public. Because of the Comptroller General's identification with the personnel policy changes, and because he stated repeatedly that he considered himself to be an expert in this area, staff and managers are more wary about challenging many of the changes. As a result, obtaining "hard evidence" in support of how the system actually works is extremely difficult.

I am confident that my assertions in my testimony are accurate and are widely shared by both staff and senior managers.

Question 2. ("You mentioned that in your view one of the weaknesses of the GAO approach is the assumption that 'skills and performance are equally distributed across work units.' Which are the highest GAO work units in terms of skills and performance and which are the lowest and what is the basis for your determination? Which units achieve the greatest outcomes and why?")

As my testimony indicated, I am challenging the unsupported assumption that skills and performance are equally distributed. As one manager among others, I had no method to objectively rank order all of the various Teams. But I believe that the nature of organizational behavior, as well as knowledge of the differences between the GAO Teams, provided ample reason to question the assumption that such skills will be equally distributed across 13 different work groups. For example, some Teams took the recruitment process more seriously, and were therefore likely to attract better staff; some Teams (such as the specialist group I managed) had higher qualifications and educational and experience expectations for their staff members; some Teams tended to attract higher performing staff because of greater opportunities to work on more interesting or popular topics or to travel more extensively to complete the assignments. Such factors tended to lead to differences in the level of performance and expectations within different Teams.

The assumption of equal distribution of skills and performance becomes a particular problem when fixed standards are applied across Teams. As I indicated in my testimony, the decision to use the same 50th percentile ranking across all Teams as a key factor in assigning staff to the 2A and 2B pay categories was, I believe, based on the assumption that the bottom half of the distribution in every Team was composed of people unable to perform the roles and responsibilities associated with the higher pay category. Some Teams (such as my own) were forced to place very fine performers in the lower category; many managers in other Teams believed that the bottom half of their performers were appropriately placed there, and some told me they would have used a more stringent criterion because they had relatively few people who could meet the standards of the higher category.

Taken together, these experiences and factors seriously undermine the assumption of equal distribution of skills across 13 very diverse work units. Although the stated goal of many of the recent changes was to achieve equal pay for equal work, I believe the assumption unfairly penalized staff who found themselves with relatively stronger peers in their work unit. Because of this effect, I believe the burden of proof is on the organization to provide evidence of equally distributed performance in all Teams; otherwise, staff should be ranked along with all of their peers in the organization as a whole, rather than only with those in their work unit. Alternatively, senior managers within each Team could have been allowed to determine different cut-off points for such key decisions, to account for potential differences between Teams.

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Congress of the United States

House of Representatives

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 8, 2007

Mr. Curtis Copeland
Congressional Research Service
Library of Congress
Madison Building, Room 303
Washington, D.C. 20540

Dear Mr. Copeland:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Tom Coburn would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 22, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Questions for the Record
OGM Hearing on May 22, 2007
Senator Tom Coburn

For Curtis Copeland

1. How much direct hands-on experience do you have in designing and implementing market-based compensation systems?

2. Did you find any evidence that the Comptroller General expressly and unambiguously promised to provide across-the-board pay adjustments to GAO employees who were paid above market?

3. Is it common in market-based compensation systems to provide across-the-board adjustments to persons who are paid above market?

4. If people are paid above market, isn't it fair to say that they may be getting more pay and earning a higher pension than they should in the normal course (since their pension will be based on their "high three" years of compensation)?

Congressional Research Service

Memorandum June 18, 2007

TO: Honorable Danny K. Davis
Attention: Tania Shand

FROM: Curtis W. Copeland
Specialist in American National Government
Government and Finance Division

SUBJECT: Post-Hearing Questions from Senator Coburn

This memorandum is in response to your request that I provide answers to questions posed by Senator Tom Coburn for inclusion in the record of the May 22, 2007, hearing on the implementation of the GAO (Government Accountability Office, formerly the General Accounting Office) Human Capital Reform Act of 2004. If you have any questions, please do not hesitate to call me at (202) 707-0632.

Question 1 – How much direct hands-on experience do you have in designing and implementing market-based compensation systems?

Answer 1 – I was hired by GAO in 1980 to work in the office's Federal Personnel and Compensation Division, and later worked in the Federal Workforce Issues group within the General Government Division. In response to a congressional request during the lead-up to the Federal Employees Pay Comparability Act of 1990 (FEPCA, Public Law 101-509), I was the lead evaluator in a GAO review that used available information from the Bureau of Labor Statistics (BLS) to compare private sector and federal pay in selected metropolitan statistical areas (MSAs). (See U.S. General Accounting Office, *Federal Pay: Comparisons With the Private Sector by Job and Locality*, GAO/GGD-90-81FS, May 15, 1990.) Subsequently, after the passage of FEPCA, I was the project manager and the Contracting Officer's Technical Representative (COTR) in another study that developed private sector and federal pay data for a wider range of occupations in 22 MSAs (those with at least 10,000 full-time permanent GS or GS-equivalent employees). (See U.S. General Accounting Office, *Federal Pay: Private Sector Salary Differences by Locality*, GAO/GGD-91-63FS, April 29, 1991.) Specifically, we provided detailed position descriptions, pay, and other information for 29 benchmark occupations to a contractor (the Hay Group), which provided private sector pay information for similar occupations, and calculated federal-private sector pay differentials by locality and occupation. We reported that the private sector paid more than the federal government in each of the 22 MSAs, but that the size of the average private sector pay advantage varied by MSA (e.g., from 6% in San Antonio to 39% in San Francisco). The contractor also used log linear regression analysis to determine the extent to which those pay differentials were predictive of retention difficulties in those localities (e.g., vacancy rates).

Question 2 – Did you find any evidence that the Comptroller General expressly and unambiguously promised to provide across-the-board pay adjustments to GAO employees who were paid above market?

Answer 2 – As I pointed out in my testimony, during congressional deliberations prior to the passage of the GAO Human Capital Reform Act of 2004, the Comptroller General stated on multiple occasions that "all" GAO employees who performed at a satisfactory or "meets expectations" level would receive annual across-the-board pay adjustments to allow them to keep pace with inflation (absent extraordinary economic circumstances or severe budgetary constraints). To my knowledge, the Comptroller General never expressly mentioned employees who were considered to be paid above the relevant market as being either eligible or ineligible for such adjustments. However, because the word "all" is defined (in Merriam-Webster's Collegiate Dictionary, Eleventh Edition) as "the whole amount, quantity, or extent of" and "every member or individual component of," the Comptroller General's statements regarding who would receive the annual adjustments ("all" GAO employees) could reasonably be interpreted to include any GAO employees who were considered to be paid above the market.

Question 3 – Is it common in market-based compensation systems to provide across-the-board adjustments to persons who are paid above market?

Answer 3 – I am not aware of any empirical studies that have assessed how frequently or infrequently market-based compensation systems provide across-the-board pay adjustments to persons who are paid above market. In the federal government, however, an agency must provide pay retention to an employee whose pay is reduced due to certain management actions unrelated to the employee's job performance or the employee's request (e.g., a reclassification action that places the employee in a lower-graded position). (See 5 U.S.C. chapter 53, subchapter IV, and 5 C.F.R. Part 536). The employee is generally entitled to receive full across-the-board adjustments for two years, and 50% of the adjustments in subsequent years (until the pay rate for the new position catches up with the employee's pay rate).

Question 4 – If people are paid above market, isn't it fair to say that they may be getting more pay and earning a higher pension than they should in the normal course (since their pension will be based on their "high three" years of compensation)?

Answer 4 – If the term "normal course" means employees being paid at or below market rates, then yes — employees paid above market rates would receive higher pay and, as a result, higher pensions.

ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5051
FACSIMILE (202) 225-4784
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http://oversight.house.gov

Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 8, 2007

Mr. Gregory J. Junemann
President
International Federation of Professional
and Technical Engineers
8630 Fenton Street
Suite 400
Silver Spring, MD 20910

Dear Mr. Junemann:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Tom Coburn would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 22, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Questions for the Record
OGM Hearing on May 22, 2007
Senator Tom Coburn

For Greg Junemann

1. Who does your union currently represent at GAO?

2. When were you first contacted by GAO staff in regard to a possible union organizing effort?

INTERNATIONAL FEDERATION OF
PROFESSIONAL & TECHNICAL ENGINEERS
AFL-CIO & CLC

8630 Fenton Street, Suite 400, Silver Spring, MD 20910
301-565-9016 • FAX 301-565-0018 • www.ifpte.org

June 22, 2007

Hon. Danny K. Davis, Chairman
Subcommittee on the Federal Workforce, Postal Service
and the District of Columbia
U.S. House of Representatives
2159 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Davis,

Per your letter dated June 8, 2007, below are the responses to the queries forwarded by Senator Tom Coburn in relation to the May 22nd hearing before your Subcommittee.

Thank you again for the opportunity to present IFPTE's views to the Subcommittee. Should you have any questions please feel free to contact me, or IFPTE Legislative Director Matt Biggs, at (301) 565-9016.

Sincerely,

Gregory J. Junemann

Gregory J. Junemann,
President

IFPTE President Gregory Junemann Response to Questions for the Record Submitted by Senator Tom Coburn

1. Who does your union currently represent at GAO?

The International Federation of Professional and Technical Engineers union is presently assisting GAO employees who are seeking to for a union to represent them. On May 8, 2007 IFPTE assisted these employees in filing a petition seeking a self-determination election in a bargaining unit described as:

> [A]ll permanent employees of the Government Accountability Office (GAO) assigned to a position currently covered by the Analyst Performance-Based Compensation System (APBCS) and whose designated level is Band I or Band II (including, but not limited to, those designated as Band IIA and Band IIB). These permanent employees include, but are not limited to, accountants, advisors, analysts, auditors, communications analysts, economists, investigators, methodologists, specialists, and statisticians.
>
> The unit does not include probationary employees such as Band I staff in the Professional Development Program. Neither does the unit include confidential employees; employees in Security and Safety; supervisors or management officials, such as Band III employees who are designated performance managers.
>
> The unit is national in scope and includes approximately 1,500 employees.

Since filing that petition, GAO management has provided a list of employees that fit the above-definition. That list includes 1,386 names.

2. When were you first contacted by GAO staff in regard to a possible organizing effort?

I do not recall being contacted directly by GAO staff regarding a possible union organizing effort at GAO. To the best of my recollection, I first met with GAO employees regarding a possible union organizing effort on April 27, 2006.

ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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WASHINGTON, DC 20515–6143

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Subcommittee on Federal Workforce, Postal Service, and the District of Columbia

June 8, 2007

The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

Thank you for appearing before the Joint House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, and Senate Subcommittee on Oversight of Government Management and Federal Workforce, and the District of Columbia, and giving testimony on **Tuesday, May 22, 2007, on the Government Accountability Office's Personnel Reform.**

Senator Tom Coburn would like to submit additional questions to you to be included in the hearing record. I ask that you respond to the questions in writing. Your responses should be received in the subcommittee office by **Friday, June 22, 2007.** You may fax responses to (202) 226-0805, email to (Cecelia.Morton@mail.house.gov), or deliver via courier service.

If you have any questions, please contact Tania Shand, Subcommittee Staff Director, at (202) 225-5147.

Sincerely,

Danny K. Davis

Danny K. Davis
Chairman

Enclosure
cc: Rep. Kenny Marchant, Ranking Member

Questions for the Record
OGM Hearing on May 22, 2007
Senator Tom Coburn

For Dave Walker

1. Mr. Walker, you mentioned in response to Mr. Lynch that you are considering some changes to the annual adjustments and performance-based compensation for certain employees currently paid above market. Could you provide additional details on what you are considering?

2. Mr. Walker following up on your answers to Sen. Voinovich's questions: Just so I understand, under your current system, the one generating the controversy-a Band 2A, those employees who I know you highly value but generally assist rather than lead GAO's engagements can make up to $118,000 in pay each year?

3. Mr. Walker also in regards to Sen. Voinovich's question: It seems that we are dealing with a very small number of negatively affected employees. Could you walk through the number of employees who are worse off under the new pay system for 2006, 2007, and going into the future? How many are better off?

4. Mr Walker, there seems to be an important difference between you and Ms. Wagner. Very simply, did any GAO employee get their pay cut as a result of your restructuring efforts? Was anyone demoted as a result of your restructuring efforts?

5. Mr. Walker, you noted that when you told the Congress that you planned to ensure all employees meeting job expectations would in the normal course, receive an annual across-the-board adjustment that you did not know that certain employees were paid above market. If you HAD known that, would you have still made the commitment? Why or why not?

6. Mr. Walker, if you decided to or were required to fully fund the across the broad increase for all employees irrespective of whether they were already being paid above market, how would you fund those increases? That is, where would the money come from?

7. Mr Walker, Dr. Fey and others criticized the pay study that Watson-Wyatt did for you and said the resulting pay ranges were not truly reflective of the market--implying they were too low. One--but not the only--indicator of noncompetitive pay is quit rates (ie people leaving for better paying jobs). To what extent have the quit rates (employees leaving the organization before retirement eligibility) been affected by the new pay ranges?

Qu stions for the Hearing Record
Joint Hou e and S nate Subcommittees
Hearing on GAO - May 22, 2007 -
Senator Tom Coburn Questions to David Walker

1. Mr. Walker, you mentioned in the response to Mr. Lynch that you are considering some changes to the annual adjustments and performance-based compensation for certain employees currently paid above market. Could you provide additional details on what you are considering?

As you know, as part of the recent transformation to a market-based pay system coupled with the restructuring of our prior Band II into Band IIA and Band IIB, some GAO employees did not receive a permanent annual across-the-board adjustment to their basic pay, although they were performing at a meets expectations or higher level on all elements of their performance appraisal because they were paid above market levels for their positions. Based on the criteria in section 3 of the GAO Human Capital Reform Act of 2004 (HCII), I believe this action was both legally appropriate and fully consistent with a market based compensation system. However, I recognize that concerns have been raised, most recently during my testimony on May 22, 2007, and I am open to legislative solutions to address this situation.

One approach would be to give those employees who would not receive the annual across-the-board adjustment a prospective annual permanent pay adjustment which would be the greater of the amount of the annual across-the-board adjustment received by other employees or the amount of performance-based compensation that the employees otherwise would have received up to the maximum allowable basic pay level for their position. If such adjustment were to cause an employee's salary to exceed the maximum pay for the band, the employee would receive the balance of the adjustment, if any, as a bonus. The only requirement would be that the employee would have to be acceptable (meets expectations) or better on all elements of his/her performance appraisal. Additionally, I am willing to establish transition pay ranges for any bands having employees who are paid above the pay cap, as I did for Band IIA. Employees could then get permanent pay increases up to the new pay cap established by the transition range. I am also willing to raise the cap of the transition pay range for Band IIA's on an annual basis so long as the cap does not exceed the minimum pay range for the Band III pay range.

The above approach would provide relief to all employees who did not receive the annual across-the-board pay adjustment as long as they meet the performance criteria of the proposal set forth above. In most instances, the affected employees are Band IIA employees subject to the transition pay range and Band IIB employees subject to the speed bump.[1] In addition, approximately 30 Band I employees who received no across-the-board pay adjustment because their salary exceeds the market rate for Band I and a

[1] The speed bump is the rate of pay at approximately the 75th percentile of the range which cannot be passed unless the employee has a rating in the top 50% of his/her team and band.

few Administrative Professional and Support Staff (APSS) who are similarly situated would be covered by this suggested approach. These Band I employees and APSS would be placed in transition ranges as was done for some of the Band IIA employees and eligible to receive annual permanent pay increases up to the new transition range pay cap.

Importantly, accomplishing the above would require legislation since we do not believe that this approach is consistent with the express statutory criteria that the Comptroller General is required to consider under Section 3 of HCII. We are, however, willing to work with the Congress on crafting such a legislative proposal upon request.

2. Mr. Walker, following up on your answers to Sen. Voinovich's questions: Just so I understand, under your current system, the one generating the controversy – a band IIA, those employees who I know you highly value but generally assist rather than lead GAO's engagements, can make up to $118,000 in pay each year?

A: All banded Analysts and Specialists who were on-board at the time of the restructuring are eligible to earn up to $118,700 (in Washington, D.C.) each year. Band IIA employees, who are primarily individual contributors on GAO engagements, also receive benefits valued at approximately 33 percent of salary in FY 2007. This percentage includes costs associated with health insurance, life insurance, retirement, and thrift savings plan contributions. Therefore, the total annual compensation potential (i.e., salary plus current and deferred benefits) for a Band IIA in Washington, D.C. under our current transition approach is approximately $157,800.

3. Mr. Walker, also in regards to Sen. Voinovich's question: It seems that we are dealing with a very small number of negatively affected employees. Could you walk through the number of employees who are worse off under the new pay system for 2006, 2007, and going into the future? How many are better off?

A: 308 Analyst and Analyst-related staff did not receive the annual across-the-board adjustment in January 2006 because of market-based pay range limitations. That number decreased to 298 as a result of legal settlements, and represents approximately 10 percent of GAO's population in 2006. After the 2007 salary range adjustments and additional Band IIB placements, the number of Analyst and Analyst-related staff who did not receive an annual across-the-board adjustment in February 2007 decreased to 138, or approximately 5 percent of GAO's population in 2007. As a result of annual increases to pay ranges, promotions or placements of affected employees to higher bands, and normal attrition due to retirements, transfers or resignations, the number of staff unable to receive the across the board increase will continue to decline to zero. With the establishment of the Band IIB salary range, approximately 25 percent of our employees are now eligible for salaries higher than those allowed by the pay ranges prior to restructuring.

4. Mr. Walker, there seems to be an important difference between you and Ms. Wagner. Very simply, did any GAO employee get their pay cut as a result of your restructuring efforts? Was anyone demoted as a result of your restructuring efforts?

A: No employee had his or her salary reduced as a result of the restructuring, nor was any employee demoted. In the Band II Restructuring Order (GAO Order 2900.3,ch. 3) GAO stated that employees placed in the IIA or IIB pay range will retain their salaries, including accumulated locality pay. Furthermore, employees who were placed in the IIB pay range received an increase in pay if their salaries were below the IIB minimum upon placement.

5. Mr. Walker, you noted that when you told the Congress that you planned to ensure all employees meeting job expectations would in the normal course, receive an annual across-the-board adjustment that you did not know that certain employees were paid above market. If you HAD known that, would you have still made the commitment? Why or why not?

A: No, I would not have made the commitment. If anyone had expressly asked the question whether I would have given the annual across-the-board adjustment to employees paid above competitive compensation limits, I would have assured him or her that I would not have done this. However, no one asked and it never occurred to me to raise the matter. To give such increases to these employees is inconsistent with a market-based compensation system, and the collective weight of the 6 statutory criteria set forth in section 3 of the Human Capital Reform Act of 2004.

6. Mr. Walker, if you decided to or were required to fully fund the across-the-board increase for all employees irrespective of whether they were already being paid above market, how would you fund those increases? That is, where would the money come from?

A: GAO is required to fund the cost of any across-the-board increase from available agency appropriations. We estimate the cost to provide retroactive adjustments to be approximately $2.0 million, including $750,000 chargeable to FY 2006 and $1.27 million chargeable to FY 2007 appropriations. However, GAO does not have sufficient funds remaining in its Fiscal 2006 appropriation account and would need to obtain supplemental funds from Congress to cover this amount. In order to fund the fiscal year 2007 costs, GAO would need to further defer or delay critical targeted investments or request supplemental funds to cover the cost. In addition, we estimate that making these retroactive adjustments will have the effect of increasing our fiscal year 2008 funding requirement by $1.44 million.

Since almost 80 percent of GAO's budget provides funds for human capital costs and a significant portion of the remaining 20 percent of our budget provides funds for mandatory costs, such as space rental and utilities, there is little flexibility to absorb these unanticipated costs without negatively impacting other areas which are operating at or below the fiscal year 2006 level due to funding constraints.

7. Mr. Walker, Dr. Fey and others criticized the pay study that Watson Wyatt did for you and said the resulting pay ranges were not truly reflective of the market—implying they were too low. One—but not the only—indicator of noncompetitive pay is quit rates (i.e., people leaving for better paying jobs). To what extent have the quit rates (employees leaving the organization before retirement eligibility) been affected by the new pay ranges?

A: In his May 22, 2007 testimony, Dr. Fay did not address whether or not GAO's market ranges were too low or too high, but rather he critiqued the survey methodology.
As shown in the table below, GAO's "quit rate," defined as the percentage of non-retirement eligible staff that leave GAO, has remained relatively stable over the past several years and does not appear to have increased as a result of our market-based pay range implementation. We believe the slight upward trend is attributable to the increase in the number of staff at entry level during this time period. Employees with less experience who are relatively new to the work force are more likely to move. The percentage of GAO employees with less than 5 years of service has continued to increase. In October of 1998, 11.61 percent of Analyst and related staff had 5 years or less service; in October 2006, the percentage was 41.59 percent. The median years of GAO service for our Analyst & Analyst-Related staff has declined from 13.2 years at the start of FY 2004 to only 6.2 years at the start of FY 2007.

FY	On Board and Not Retirement Eligible	Total Non-Retirement Attrition	"Quit" Rate
2004	2,745	155	5.65%
2005	2,754	182	6.61%
2006	2,714	189	6.96%
2007[1]	2,774	115	4.15% [1]

[1]FY 2007 data is through May 26. We expect to finish this fiscal year at about 7.0%.

GAO
Accountability * Integrity * Reliability

Comptroller General
of th. United States

United States Government Accountability Office
Washington, DC 20548

June 22, 2007

The Honorable Danny K. Davis
Chairman, Subcommittee on the Federal Workforce,
Postal Service and the District of Columbia
Committee on Oversight and Government Reform
U.S. House of Representatives

Dear Mr. Chairman:

I am submitting additional information regarding performance bonuses and other awards for Senior Executive Service (SES) and Senior Level (SL) employees, as requested by your staff director, Tania Shand, for the record of the May 22, 2007, hearing on the U.S. Government Accountability Office's human capital reforms.

Please note that these enclosures supersede the data provided to the Honorable Eleanor Holmes Norton on May 25, 2007, and to you on June 1. Per Ms. Shand's request, there is additional data here that covers more years and has been reformatted, including presentation in calendar years versus fiscal years. The data provided earlier was based on our understanding of the original request for information, but Ms. Shand subsequently clarified and expanded those requests. As a result, some of the summary data provided in those earlier transmittals has changed.

The enclosed lists include all SES and SL staff on the payroll during the calendar years 2003-2006 (January 1, 2003 through December 31, 2006), together with related performance bonuses, cash awards, recruitment incentive payments and retention incentive payments. We also have provided a summary chart of cash payments from January 1, 2003 through June 22, 2007, as requested. We have included explanatory notes where appropriate on the detailed lists to clarify column headers, retention incentive computations, and, on the calendar year 2006 list, we noted any payments made in calendar year 2007 to date. Bonus amounts for SES/SL personnel are paid in the calendar year for performance in the previous fiscal year.

As noted in both my May 22 testimony and in previous correspondence, all bonuses and awards were made under applicable statutory authorities, and they are comparable to or less than the bonuses and awards permitted in the Executive Branch, according to data reported by the Office of Personnel Management through FY 2005. The OPM data for FY 2006 has not yet been released.

Also enclosed is the requested data on the cost of my trips as a participant in the "Fiscal Wake-Up Tour," a nonpartisan effort aimed at educating Americans about the impact of our nation's deficits and long-term fiscal challenges. The first event was held in Richmond, Virginia, in September 2005. Please note that a number of "Fiscal Wake-Up Tour" events have been scheduled at the request of Members of Congress, and several Members have attended and participated in the community forums when they were held in their states or districts. Also, I make every effort to accomplish multiple purposes during these trips, including visits to GAO field offices, recruiting stops on college campuses and other meetings, as appropriate and possible.

I trust that this information is now responsive to the relevant requests. We stand ready to provide any additional information or clarification.

Sincerely yours,

David M. Walker
Comptroller General
of the United States

cc: The Honorable Daniel K. Akaka
The Honorable George V. Voinovich
The Honorable Eleanor Holmes Norton
The Honorable Kenny Marchant

U.S. Comptroller General's Fiscal Wak -Up Tour
(Schedul C st - September 2005 - Present)

		Fiscal Wake-Up Tour		Oth r Gov rnment Business				
Start Date	End Date	Location	Cost	Location	Cost	Total Trip Cost	C ngressi nal R quest (R)/ Attendance (A)	Description of Travel
5/30/07	5/31/07	Tampa, FL	290.75	Orlando, FL	301.55	592.30	Sen. Martinez (R/A) Rep. Putnam (A)	Fiscal Wake-Up at University f South Florida, Tampa, FL; speaking engag ment to Florida Institute of CPA in Orlando, FL
4/3/07	4/5/07	Syracuse, NY	669.65		669.65	1,339.30		Fiscal Wake-Up at Syracuse University; meetings with community & business leaders, recruiting at Maxwell School.
3/9/07	3/9/07	Cincinnati, OH	689.30			689.30	Sen. Voinovich (R)	Fiscal Wake-Up tour at Bankers Club; editorial board meetings
3/6/07	3/7/07	Charleston, SC	636.68			636.68		Fiscal Wake-Up Tour at the Citadel with the League of Women Voters, editorial board meetings
2/21/07	2/23/07	Vero Beach, FL, West Palm Beach, FL Tallahassee, FL	523.18		523.17	1,046.35		Fiscal Wake-Up Tour St. Edwards School and the Forum Club in in West Palm Beach, FL; speech at Florida State University
2/12/07	2/14/07	Manchester, NH	1,312.58			1,312.58	Former Rep. Swett (A)	Fiscal Wake-Up Tour at St. Ans lm College Manchester, NH
1/31/07	2/2/07	Des Moines, IA	613.56		-	613.56		Fiscal Wake-Up Tour at Drake Univ rsity; meeting with Rotary Club and Editorial Board Meetings
1/10/07	1/11/07	Columbus, OH	216.54		216.53	433.07	Former Sen. Glenn (A)	Fiscal Wake-Up presentation at Ohio State University; editorial board meetings, meeting with students of Ohio State University
11/27/06	11/30/06	Denver, CO/ Seattle, WA	676.29		676.29	1,352.58	Rep. Baird (A)	Fiscal Wake-Up Tour at University of Colorado, Auraria Campus, and City Club, Seattle, WA; editorial meetings, Colorado Forum; Recruiting at University of Washington
11/8/06	11/9/06	Chicago, IL	524.41	GAO Chicago Field Office		524.41		Fiscal Wake-Up tour at University of Chicago; recruiting Harris School
9/26/06	9/29/06	Austin, TX	434.35		434.35	868.70		Fiscal Wake-Up tour at LBJ School of Public Affairs, University of Texas Austin; recruiting at University of Texas Austin, speeches to UT Austin's Hispanic Business Student Assn; MPA Students@Master in Prof. Accounting
8/17/06	8/18/06	Nashville, TN	644.10		-	644.10		Fiscal Wake Up forum at National Conference of State Legislatures

U.S. Comptroll r General's Fiscal Wak -Up T ur
(Sch dul Cost - September 2005 - Present)

		Fiscal Wak -Up Tour		Oth r Governm nt Business				
Start Dat	**End Date**	**Location**	**Cost**	**L cati n**	**Cost**	**Total Trip Cost**	**Congressional R quest (R)/ Attendanc (A)**	**D scripti n of Trav l**
7/20/06	7/20/06	Washington, DC	-		-	-	6 Members of Congress (A)	Fiscal Wake Up tour to "America's Trust"
5/31/06	6/3/06	San Diego, CA	758.40		-	758.40		Fiscal Wake Up tour to City Club, San Diego; Speeches to American Society of Military Comptrollers; Optimist Club; Bus. & Community Leaders Breakfast
4/30/06	5/2/06	Philadelphia, PA/ Wilmington, DE	600.25		-	600.25	Sen. Carper (R/A) Rep. Castle (R/A)	Fiscal Wake-Up tour to Chase Center in Wilmington, DE and WHYY, Philadelphia, PA; Editorial Board meetings
4/23/06	4/24/06	Kansas City, MO	706.84		-	706.84		Fiscal Wake-Up tour to University of Missouri in Kansas City, MO; editorial board meeting with Kansas City Star; meeting/Community & Business leaders
4/3/06	4/4/06	Omaha, NE	850.06		-	850.06	Sens. Nelson and Hagel (A)	Fiscal Wake Up Tour to University f Nebraska in Omaha, NE; meeting with Editorial Board
2/27/06	2/28/06	Raleigh, NC	251.85		251.85	503.70		Fiscal Wake Up Tour at Duke University; meeting with Editorial Board; recruiting at Duke University
2/7/06	2/9/06	Atlanta, GA	595.01	Atlanta Field Office	595.01	1,190.02		Fiscal Wake Up Tour at Georgia Public Television; speech to Atlanta Kiwanis; visit to Atlanta Field Office
11/30/05	12/4/05	Portland, OR	626.14	New Orleans, LA, Denver, CO	1,318.20	1,944.34		Fiscal Wake-Up tour to Portland State University in Portland; visit to N.O. with Admiral Allen to tour Katrina Disaster Sites/Speech in Denver to General Defense Intelligence Program
10/16/05	10/18/05	Minneapolis, MN/ Dallas, TX	792.18	GAO Dallas Field Office	792.17	1,584.35	Former Rep. Penny (R/A) Former Sen. Durenberger (R/A)	Fiscal Wake Up Tour at Humphrey Institute; recruiting at Humphrey school; trip to Dallas, TX to receive Warner Stockberger Award
9/25/05	9/26/05	Williamsburg/ Richmond, VA	46.50		-	46.50	Rep. Scott (A)	Fiscal Wake Up Tour at Forum at University of Richmond, VA and Speech to Professional Services Council in Williamsburg, VA
TOTALS			12,458.62		5,778.77	18,237.39		

Note: Costs include transportation, lodging and meals and incidentals.

Summary SES/SL Bonus s, Awards and Incentive Paym nts
Paid Out By Calendar Year

	CY 2003	CY 2004	CY 2005	CY 2006	CY 2007
SES/SL Bonus (See Note)	$868,900	$879,800	$886,120	$925,000	$901,700
Other Cash Award	$33,550	$24,538	$2,380	$0	$7,000
Recruitment Incentive	$6,780	$0	$10,000	$10,000	$41,250
Retention Incentive	$79,738	$74,561	$32,380	$29,790	$13,878
Total	$988,968	$978,899	$930,880	$964,790	$963,828

CY 2006
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2006)
Sorted Alphabetically

						Other Cash Compensation			
	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Awards Paid in CY 06 (See Note 1)	Retention Incentive Paid in CY 06 (See Note 2)	Recruitment Incentive Paid in CY 06
1	AKRESH	ABRAHAM	FMA	Senior Level Expert for Auditing Standards (Limited Term SL appointment 04/16/06)	SL				
2	ALLEN	KATHRYN	HC	Director, Health Care	ES	$10,900			
3	ALOISE	EUGENE	NRE	Director, Natural Resources and Environment	ES	$10,900			
4	ANDERSON	PAUL	PA	Managing Director, Public Affairs	ES	$13,000			
5	ANDERSON GUTHRIE	CAROL	FO (Dallas)	Regional Director, Central Region	ES				
6	ANDERSON JR	JOHN	FO	Managing Director, Field Operations	ES				
7	APPLEBAUM	JOSEPH	ARM	Chief Actuary	SL				
8	ARONOVITZ	LESLIE	HC	Director, Health Care (retired 02/03/07)	ES				
9	ASHBY	CORNELIA	EWIS	Director, Education, Workforce and Income Security	ES	$8,900			
10	BACKHUS	STEPHEN	QCI	Director, Goals 2 and 3	ES	$10,900			
11	BARKAKATI	NABAJYOTI	ARM	Senior Level Technologist	SL				
12	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$10,900			
13	BELLIS	DAVID	EWIS	Director, Education, Workforce and Income Security (retired 03/03/06)	ES				
14	BERRICK	CATHLEEN	HSJ	Director, Homeland Security and Justice	ES	$10,900			
15	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$10,900			
16	BOWLING	TIMOTHY	QCI	Managing Director, Quality and Continuous Improvement/Chief Quality Officer	ES	$17,000			
17	BROSTEK	MICHAEL	SI	Director, Strategic Issues	ES	$8,900			
18	CALBOM	LINDA	FO (Seattle)	Regional Director, Western Region (reassigned 04/03/06 - formerly Director, Financial Management and Assurance)	ES	$8,900			
19	CALVARESI BARR	ANN	ASM	Director, Acquisition and Sourcing Management	ES				
20	CAUSSEAUX	BRUCE	FMA	Contract and Procurement Fraud Specialist, Forensic Audits and Special Investigations (Limited Term SL appointment 11/26/06)	SL				
21	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$8,900			
22	CICCO JR	ANTHONY	CAO-ISTS	Deputy Chief Administrative Officer/Chief Information Officer (retired 10/27/06)	ES				
23	CLARK JR	DAVID	CAO-PDP	Managing Director, Professional Development Program	ES				
24	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$13,000			
25	COOPER	DAVID	ASM	Director, Acquisition and Sourcing Management (retired 03/31/06) Director (Limited Term SES appointment 05/14/06 of reemployed annuitant under Knowledge Transfer program - separated 05/08/07)	ES				
26	CRAMER	ROBERT	OGC	Associate General Counsel, Goal 3	ES				
27	CROSSE	MARCIA	HC	Director, Health Care	ES	$8,900			
28	CZERWINSKI	STANLEY	SI	Director, Strategic Issues	ES				
29	DACEY	ROBERT	ARM	Chief Accountant	ES	$13,000			
30	DAGOSTINO	DAVI	DCM	Director, Defense Capabilities and Management	ES				

CY 2006
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Sorted Alphabetically

	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Cash Compensation: Other Awards Paid in CY 06 (See Note 1)	Other Cash Compensation: Retention Incentive Paid in CY 06 (See Note 2)	Other Cash Compensation: Recruitment Incentive Paid in CY 06
31	DALTON	PATRICIA	PI	Managing Director, Physical Infrastructure	ES	$17,000			
32	DICKEN	JOHN	HC	Director, Health Care	ES				
33	DILLINGHAM	GERALD	PI	Director, Physical Infrastructure	ES	$8,900			
34	DODARO	GENE	COO	Executive Committee - Chief Operating Officer	ES	$29,000			
35	DORN (See Note 3)	TERRELL	PI	Director, Construction and Facilities Management, Physical Infrastructure (CG Career SES appointment 03/19/06)	ES				
36	EKSTRAND	LAURIE	HC	Director, Health Care (reassigned 04/02/06 - formerly Director, Homeland Security and Justice)	ES				
37	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$10,900			
38	FAGNONI	CYNTHIA	EWIS	Managing Director, Education, Workforce and Income Security	ES	$14,000			
39	FECSO	RONALD	ARM	Chief Statistician (Limited Term SL appointment 12/10/06)	SL				$10,000
40	FORD	JESS	IAT	Director, International Affairs and Trade	ES				
41	FRANCIS	PAUL	ASM	Director, Acquisition and Sourcing Management	ES	$10,900			
42	FRANZEL	JEANETTE	FMA	Director, Financial Management and Assurance	ES	$13,000			
43	GAMBOA	ANTHONY	OGC	Executive Committee - General Counsel (retired 06/30/06)	ES				
44	GARCIA	FRANCES	IG	Inspector General	ES	$8,900			
45	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$8,900			
46	GOLDEN	MICHAEL	OGC	Managing Associate General Counsel, Procurement Law (Career SES appointment 09/03/06)	ES				
47	GOLDSTEIN	MARK	PI	Director, Physical Infrastructure	ES				
48	GOOTNICK	DAVID	IAT	Director, International Affairs and Trade	ES				
49	GORDON	DANIEL	OGC	Deputy General Counsel (reassigned 07/01/06 - formerly Managing Associate General Counsel-Procurement Law)	ES	$17,000			
50	HARPER	SALLYANNE	CAO	Executive Committee - Chief Administrative Officer/Chief Financial Officer	ES	$27,000			
51	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES	$8,900			
52	HECKMANN	CYNTHIA	CAO-HCO	Acting Chief Human Capital Officer (reassigned 04/15/07 - formerly Deputy Chief Information Officer)	ES	$13,000			
53	HILLMAN	RICHARD	FMCI	Managing Director, Financial Markets and Community Investment	ES				
54	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$17,000			
55	HITE	RANDOLPH	IT	Director, Information Technology	ES	$8,900			
56	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Services	ES	$10,900			
57	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management (retired 01/03/07)	ES				
58	HOSKINS	JESSE	CG	Special Assistant to the Comptroller General (reassigned 04/15/07 - formerly Chief Human Capital Officer)	ES				
59	HSING	HELEN	SPEL	Managing Director, Strategic Planning and External Liaison	ES	$13,000			
60	HUNTER	DENISE	FO (Boston)	Regional Director, Eastern Region	ES	$8,900			
61	IRVING	SUSAN	SI	Director, Strategic Issues	ES	$10,900			

CY 2006
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Sorted Alphabetically

	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Awards Paid in CY 06 (See Note 1)	Retention Incentive Paid in CY 06 (See Note 2)	Recruitment Incentive Paid in CY 06
62	JARMON	GLORIA	CR	Managing Director, Congressional Relations	ES	$17,000			
63	JENKINS JR	WILLIAM	HSJ	Director, Homeland Security and Justice	ES				
64	JONES	PAUL	HSJ	Director, Homeland Security and Justice (retired 01/03/07)	ES				
65	JONES	YVONNE	FMCI	Director, Financial Markets and Community Investment	ES				
66	KANOF (see Note 4)	MARJORIE	HC	Managing Director, Health Care	ES	$17,000		$21,103.37	
67	KEPPLINGER	GARY	OGC	Executive Committee - General Counsel (reassigned 07/01/06 - formerly Deputy General Counsel)	ES	$27,000			
68	KING	KATHLEEN	HC	Director, Health Care	ES				
69	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$17,000			
70	KLADIVA	SUSAN	CG	Special Assistant to the Comptroller General for Performance Systems (Limited Term SES appointment 07/13/03 of reemployed annuitant under Knowledge Transfer program - separated 05/27/06)	ES				
71	KOONTZ	LINDA	IT	Director, Information Technology	ES	$8,900			
72	KRAUS (See Note 5)	JOSEPH	CAO-ISTS	Chief Information Officer (Limited Term SES appointment 11/16/06)	ES				
73	KUTZ	GREGORY	FMA	Managing Director, Forensic Audits and Special Investigations	ES	$13,000			
74	LARENCE	EILEEN	HSJ	Director, Homeland Security and Justice	ES				
75	LEVIN	ROBERT	ASM	Director, Acquisition and Sourcing Management (retired 01/03/06)	ES				
76	LI	ALLEN	ASM	Director, Acquisition and Sourcing Management (retired 05/03/07)	ES	$10,900			
77	MARTIN	JOHN	ARM	Senior Level Technologist	SL				
78	MARTIN	ROBERT	FMA	Director, Financial Management and Assurance	ES				
79	MAY	STEPHANIE	OGC	Managing Associate General Counsel, Goal 2	ES	$8,900			
80	MCCOOL	THOMAS	ARM	Director, Center for Economics	ES	$10,900			
81	MELITO (see Note 6)	THOMAS	IAT	Director, International Affairs and Trade	ES			$8,686.45	
82	MIHM	J CHRISTOPHER	SI	Managing Director, Strategic Issues	ES	$17,000			
83	MITTAL	ANU	NRE	Director, Natural Resources and Environment	ES	$8,900			
84	MOTLEY	MICHAEL	QCI	Director of Continuous Improvement	ES				
85	NAZZARO	ROBIN	NRE	Director, Natural Resources and Environment	ES	$8,900			
86	NELSON	BENJAMIN	QCI	Managing Director, Goal 1	ES	$10,900			
87	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES				
88	OFFUTT	SUSAN	ARM	Chief Economist (Career SL appointment 12/24/06)	SL				
89	PANWAR	MADHAV	ARM	Senior Level Technologist	SL				
90	PICKUP	SHARON	DCM	Director, Defense Capabilities and Management	ES	$8,900			
91	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$13,000			
92	POSNER	PAUL	SI	Director, Strategic Issues (retired 01/11/06)	ES				
93	POWNER	DAVID	IT	Director, Information Technology	ES	$8,900			
94	RABKIN	NORMAN	HSJ	Managing Director, Homeland Security and Justice	ES	$14,000			

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95	RHODES	KEITH	ARM	Chief Technologist and Director, Center for Technology and Engineering	ES	$13,000			
96	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security (retired 03/03/07)	ES				
97	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$25,000			
98	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$8,900			
99	SCHINASI	KATHERINE	ASM	Managing Director, Acquisition and Sourcing Management	ES	$14,000			
100	SCHWARTZ	SIDNEY	ARM	Director, Center for Design, Methods and Analysis (Career SES appointment 12/10/06)	ES				
101	SEBASTIAN	STEVEN	FMA	Director, Financial Management and Assurance	ES	$8,900			
102	SELTSER	BARRY	ARM	Director, Applied Research and Methods (retired 06/09/06)	ES				
103	SHAH	DAYNA	OGC	Associate General Counsel, Goal 1	ES	$8,900			
104	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security (retired 08/19/06)	ES				
105	SHEAR	WILLIAM	FMCI	Director, Financial Markets and Community Investment	ES				
106	SIGGERUD	KATHERINE	PI	Director, Physical Infrastructure	ES	$10,900			
107	SOLIS	WILLIAM	DCM	Director, Defense Capabilities and Management	ES	$8,900			
108	ST LAURENT	JANET	DCM	Director, Defense Capabilities and Management	ES				
109	STALCUP	GEORGE	SI	Director, Strategic Issues	ES	$8,900			
110	STANA	RICHARD	HSJ	Director, Homeland Security and Justice	ES	$10,900			
111	STEINHARDT	BERNICE	SI	Director, Strategic Issues	ES				
112	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$17,000			
113	STEINWALD	ALAN	HC	Director, Health Care	ES				
114	STEPHENSON	JOHN	NRE	Director, Natural Resources and Environment	ES				
115	STEWART	DEREK	DCM	Director, Defense Capabilities and Management	ES	$10,900			
116	STILLMAN	RONA	ARM	Special Assistant to the Chief Technologist (Limited Term SES appointment 04/03/05 of reemployed annuitant - separated 06/01/06)	ES				
117	STRADER	GEORGE	CAO-CASO	Controller	ES	$17,000			
118	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$13,000			
119	SULLIVAN	MICHAEL	ASM	Director, Acquisition and Sourcing Management	ES				
120	TETI	CATHERINE	CAO-KS	Managing Director, Knowledge Services	ES	$10,900			
121	TRAN	HAI	ARM	Senior Level Technologist	SL				
122	UNGAR	BERNARD	CR	Special Assistant (Limited Term SES appointment 02/08/04 of reemployed annuitant under Knowledge Transfer program - separated 02/03/07)	ES				
123	WANNISKY	KATHLEEN	OGC	Managing Associate General Counsel-Mission and Operations (retired 05/03/07)	ES				
124	WELLS JR	JAMES	NRE	Director, Natural Resources and Environment (retired 03/31/07)	ES				
125	WESTIN	SUSAN	IAT	U.S. Representative to NATO	ES				

CY 2006
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126	WHITE	JAMES	SI	Director, Strategic Issues	ES				
127	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$17,000			
128	WILLETT	CAROL	CAO-HCO	Chief Learning Officer	ES	$10,900			
129	WILLIAMS	MCCOY	FMA	Director, Financial Management and Assurance	ES	$10,900			
130	WILLIAMS	ORICE	FMCI	Director, Financial Markets and Community Investment	ES				
131	WILLIAMS BRIDGERS	JACQUELYN	IAT	Managing Director, International Affairs and Trade	ES	$14,000			
132	WILSHUSEN	GREGORY	IT	Director, Information Technology	ES				
133	WOOD	DAVID	FMCI	Director, Financial Markets and Community Investment	ES	$8,900			
134	WOODS	WILLIAM	ASM	Director, Acquisition and Sourcing Management	ES				
135	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region (retired 04/29/06)	ES				
136	YAGER	LOREN	IAT	Director, International Affairs and Trade	ES	$8,900			
					Totals	$901,700	$0.00	$29,789.82	$10,000

Notes:

1 - Column labeled "Other Awards Paid in CY 06" includes the total amount of other awards processed during the calendar year for which SES/SL employees are eligible. SES/SL employees may receive monetary recognition for Results Through Teamwork awards or to recognize a suggestion, superior accomplishment, extra effort, productivity gain, special act or service in the public interest in connection with official employment, or other personal effort that contributes to the economy, efficiency or other improvement in government operations. Any awards received prior to appointment to the SES/SL are not included.

2 - Column labeled "Retention Incentive Paid in CY 06" contains calendar year payments for pay periods nos. 1 - 26.

3 - DORN - Received $7,000 in "Other Awards" approved in CY 06, but paid in CY 07.

4 - KANOF - Continuing to receive "Retention Incentive" in CY 07 at 13 percent per pay period (actual amount shown in summary total for CY 07).

5 - KRAUS - Received $41,250 in "Recruitment Incentive" approved in CY 06, but paid in CY 07.

6 - MELITO - Continuing to receive "Retention Incentive" in CY 07 at 6 percent per pay period (actual amount shown in summary total for CY 07).

Additional Notes:
Total number of SES/SL employees (on-board at any time during CY 2006) = 136
Total Number of SES/SL employees eligible for bonuses (i.e., those who received a rating and were on board at the end of the performance appraisal cycle on 9/30/06) = 118
Total Number of SES/SL employees who received bonuses = 72
Average SES/SL bonus = $12,524
Percentage of SES/SL employees who received bonuses = 61.01%

The following positions are equivalent to a Managing Director:
Chief Human Capital Officer
Chief Information Officer
Controller
Executive Director, Federal Accounting Standards and Advisory Board
Inspector General

CY 2006
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2006)
Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Awards Paid in CY 06 (See Note 1)	Retention Incentive Paid in CY 06 (See Note 2)	Recruitment Incentive Paid in CY 06
1	AF-AMER	FEMALE	ANDERSON GUTHRIE	CAROL	FO (Dallas)	Regional Director, Central Region	ES				
2	AF-AMER	FEMALE	ASHBY	CORNELIA	EWIS	Director, Education, Workforce and Income Security	ES	$8,900			
3	AF-AMER	FEMALE	JARMON	GLORIA	CR	Managing Director, Congressional Relations	ES	$17,000			
4	AF-AMER	FEMALE	JONES	YVONNE	FMCI	Director, Financial Markets and Community Investment	ES				
5	AF-AMER	FEMALE	WILLIAMS	ORICE	FMCI	Director, Financial Markets and Community Investment	ES				
6	AF-AMER	FEMALE	WILLIAMS BRIDGERS	JACQUELYN	IAT	Managing Director, International Affairs and Trade	ES	$14,000			
7	AF-AMER	MALE	DILLINGHAM	GERALD	PI	Director, Physical Infrastructure	ES	$8,900			
8	AF-AMER	MALE	HOSKINS	JESSE	CG	Special Assistant to the Comptroller General (reassigned 04/15/07 - formerly Chief Human Capital Officer)	ES				
9	AF-AMER	MALE	JONES	PAUL	HSJ	Director, Homeland Security and Justice (retired 01/03/07)	ES				
10	AF-AMER	MALE	NELSON	BENJAMIN	QCI	Managing Director, Goal 1	ES	$10,900			
11	AF-AMER	MALE	STEWART	DEREK	DCM	Director, Defense Capabilities and Management	ES	$10,900			
12	AF-AMER	MALE	STRADER	GEORGE	CAO-CASO	Controller	ES	$17,000			
13	AF-AMER	MALE	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$13,000			
14	AF-AMER	MALE	WILLIAMS	MCCOY	FMA	Director, Financial Management and Assurance	ES	$10,900			
15	ASIAN	FEMALE	HSING	HELEN	SPEL	Managing Director, Strategic Planning and External Liaison	ES	$13,000			
16	ASIAN	FEMALE	MITTAL	ANU	NRE	Director, Natural Resources and Environment	ES	$8,900			
17	ASIAN	MALE	BARKAKATI	NABAJYOTI	ARM	Senior Level Technologist	SL				
18	ASIAN	MALE	LI	ALLEN	ASM	Director, Acquisition and Sourcing Management (retired 05/03/07)	ES	$10,900			
19	ASIAN	MALE	PANWAR	MADHAV	ARM	Senior Level Technologist	SL				
20	ASIAN	MALE	SOLIS	WILLIAM	DCM	Director, Defense Capabilities and Management	ES	$8,900			
21	ASIAN	MALE	TRAN	HAI	ARM	Senior Level Technologist	SL				
22	HISPANIC	FEMALE	GARCIA	FRANCES	IG	Inspector General	ES	$8,900			
23	HISPANIC	MALE	GAMBOA	ANTHONY	OGC	Executive Committee - General Counsel (retired 06/30/06)	ES				
24	WHITE	FEMALE	ALLEN	KATHRYN	HC	Director, Health Care	ES	$10,900			
25	WHITE	FEMALE	ARONOVITZ	LESLIE	HC	Director, Health Care (retired 02/03/07)	ES				
26	WHITE	FEMALE	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$10,900			
27	WHITE	FEMALE	BERRICK	CATHLEEN	HSJ	Director, Homeland Security and Justice	ES	$10,900			
28	WHITE	FEMALE	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$10,900			
29	WHITE	FEMALE	CALBOM	LINDA	FO (Seattle)	Regional Director, Western Region (reassigned 04/03/06 - formerly Director, Financial Management and Assurance)	ES	$8,900			
30	WHITE	FEMALE	CALVARESI BARR	ANN	ASM	Director, Acquisition and Sourcing Management	ES				

CY 2006
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2006)
Sorted by Race and Gender

								Other Cash Compensation			
	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Awards Paid in CY 06 (See Note 1)	Retention Incentive Paid in CY 06 (See Note 2)	Recruitment Incentive Paid in CY 06
31	WHITE	FEMALE	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$13,000			
32	WHITE	FEMALE	CROSSE	MARCIA	HC	Director, Health Care	ES	$8,900			
33	WHITE	FEMALE	DAGOSTINO	DAVI	DCM	Director, Defense Capabilities and Management	ES				
34	WHITE	FEMALE	DALTON	PATRICIA	PI	Managing Director, Physical Infrastructure	ES	$17,000			
35	WHITE	FEMALE	EKSTRAND	LAURIE	HC	Director, Health Care (reassigned 04/02/06 - formerly Director, Homeland Security and Justice)	ES				
36	WHITE	FEMALE	FAGNONI	CYNTHIA	EWIS	Managing Director, Education, Workforce and Income Security	ES	$14,000			
37	WHITE	FEMALE	FRANZEL	JEANETTE	FMA	Director, Financial Management and Assurance	ES	$13,000			
38	WHITE	FEMALE	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$8,900			
39	WHITE	FEMALE	HARPER	SALLYANNE	CAO	Executive Committee - Chief Administrative Officer/Chief Financial Officer	ES	$27,000			
40	WHITE	FEMALE	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES	$8,900			
41	WHITE	FEMALE	HECKMANN	CYNTHIA	CAO-HCO	Acting Chief Human Capital Officer (reassigned 04/15/07 - formerly Deputy Chief Information Officer)	ES	$13,000			
42	WHITE	FEMALE	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Services	ES	$10,900			
43	WHITE	FEMALE	HUNTER	DENISE	FO (Boston)	Regional Director, Eastern Region		$8,900			
44	WHITE	FEMALE	IRVING	SUSAN	SI	Director, Strategic Issues	ES	$10,900			
45	WHITE	FEMALE	KANOF (See Note 3)	MARJORIE	HC	Managing Director, Health Care	ES	$17,000		$21,103.37	
46	WHITE	FEMALE	KING	KATHLEEN	HC	Director, Health Care	ES				
47	WHITE	FEMALE	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$17,000			
48	WHITE	FEMALE	KLADIVA	SUSAN	CG	Special Assistant to the Comptroller General for Performance Systems (Limited Term SES appointment 07/13/03 of reemployed annuitant under Knowledge Transfer program - separated 05/27/06)	ES				
49	WHITE	FEMALE	KOONTZ	LINDA	IT	Director, Information Technology	ES	$8,900			
50	WHITE	FEMALE	LARENCE	EILEEN	HSJ	Director, Homeland Security and Justice	ES				
51	WHITE	FEMALE	MAY	STEPHANIE	OGC	Managing Associate General Counsel, Goal 2	ES	$8,900			
52	WHITE	FEMALE	NAZZARO	ROBIN	NRE	Director, Natural Resources and Environment	ES	$8,900			
53	WHITE	FEMALE	OFFUTT	SUSAN	ARM	Chief Economist (Career SL appointment 12/24/06)	SL				
54	WHITE	FEMALE	PICKUP	SHARON	DCM	Director, Defense Capabilities and Management	ES	$8,900			
55	WHITE	FEMALE	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$13,000			
56	WHITE	FEMALE	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$8,900			

CY 2006
(includes all SES/SL on board sometime during the calendar year Jan 1 - Dec 31, 2006)
Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Cash Compensation: Other Awards Paid in CY 06 (See Note 1)	Other Cash Compensation: Retention Incentive Paid in CY 06 (See Note 2)	Other Cash Compensation: Recruitment Incentive Paid in CY 06
57	WHITE	FEMALE	SCHINASI	KATHERINE	ASM	Managing Director, Acquisition and Sourcing Management	ES	$14,000			
58	WHITE	FEMALE	SHAH	DAYNA	OGC	Associate General Counsel, Goal 1	ES	$8,900			
59	WHITE	FEMALE	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security (retired 08/19/06)	ES				
60	WHITE	FEMALE	SIGGERUD	KATHERINE	PI	Director, Physical Infrastructure	ES	$10,900			
61	WHITE	FEMALE	ST LAURENT	JANET	DCM	Director, Defense Capabilities and Management	ES				
62	WHITE	FEMALE	STEINHARDT	BERNICE	SI	Director, Strategic Issues	ES				
63	WHITE	FEMALE	STILLMAN	RONA	ARM	Special Assistant to the Chief Technologist (Limited Term SES appointment 04/03/05 of reemployed annuitant - separated 06/01/06)	ES				
64	WHITE	FEMALE	TETI	CATHERINE	CAO-KS	Managing Director, Knowledge Services	ES	$10,900			
65	WHITE	FEMALE	WANNISKY	KATHLEEN	OGC	Managing Associate General Counsel, Mission and Operations (retired 05/03/07)	ES				
66	WHITE	FEMALE	WESTIN	SUSAN	IAT	U.S. Representative to NATO	ES				
67	WHITE	FEMALE	WILLETT	CAROL	CAO-HCO	Chief Learning Officer	ES	$10,900			
68	WHITE	FEMALE	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region (retired 04/29/06)	ES				
69	WHITE	MALE	AKRESH	ABRAHAM	FMA	Senior Level Expert for Auditing Standards (Limited Term SL appointment 04/16/06)	SL				
70	WHITE	MALE	ALOISE	EUGENE	NRE	Director, Natural Resources and Environment	ES	$10,900			
71	WHITE	MALE	ANDERSON	PAUL	PA	Managing Director, Public Affairs	ES	$13,000			
72	WHITE	MALE	ANDERSON JR	JOHN	FO	Managing Director, Field Operations	ES				
73	WHITE	MALE	APPLEBAUM	JOSEPH	ARM	Chief Actuary	SL				
74	WHITE	MALE	BACKHUS	STEPHEN	QCI	Director, Goals 2 and 3	ES	$10,900			
75	WHITE	MALE	BELLIS	DAVID	EWIS	Director, Education, Workforce and Income Security (retired 03/03/06)	ES				
76	WHITE	MALE	BOWLING	TIMOTHY	QCI	Managing Director, Quality and Continuous Improvement/Chief Quality Officer	ES	$17,000			
77	WHITE	MALE	BROSTEK	MICHAEL	SI	Director, Strategic Issues	ES	$8,900			
78	WHITE	MALE	CAUSSEAUX	BRUCE	FMA	Contract and Procurement Fraud Specialist, Forensic Audits and Special Investigations (Limited Term SL appointment 11/26/06)	SL				
79	WHITE	MALE	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$8,900			
80	WHITE	MALE	CICCO JR	ANTHONY	CAO-ISTS	Deputy Chief Administrative Officer/Chief Information Officer (retired 10/27/06)	ES				
81	WHITE	MALE	CLARK JR	DAVID	CAO-PDP	Managing Director, Professional Development Program	ES				

CY 2006
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2006)
Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation			
								Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Awards Paid in CY 06 (See Note 1)	Retention Incentive Paid in CY 06 (See Note 2)	Recruitment Incentive Paid in CY 06
82	WHITE	MALE	COOPER	DAVID	ASM	Director, Acquisition and Sourcing Management (retired 03/31/06) Director (Limited Term SES appointment 05/14/06 of reemployed annuitant under Knowledge Transfer program - separated 05/08/07)	ES				
83	WHITE	MALE	CRAMER	ROBERT	OGC	Associate General Counsel, Goal 3	ES				
84	WHITE	MALE	CZERWINSKI	STANLEY	SI	Director, Strategic Issues	ES				
85	WHITE	MALE	DACEY	ROBERT	ARM	Chief Accountant	ES	$13,000			
86	WHITE	MALE	DICKEN	JOHN	HC	Director, Health Care	ES				
87	WHITE	MALE	DODARO	GENE	COO	Executive Committee - Chief Operating Officer	ES	$29,000			
88	WHITE	MALE	DORN (See Note 4)	TERRELL	PI	Director, Construction and Facilities Management, Physical Infrastructure (CG Career SES appointment 03/19/06)	ES				
89	WHITE	MALE	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$10,900			
90	WHITE	MALE	FECSO	RONALD	ARM	Chief Statistician (Limited Term SL appointment 12/10/06)	SL				$10,000
91	WHITE	MALE	FORD	JESS	IAT	Director, International Affairs and Trade	ES				
92	WHITE	MALE	FRANCIS	PAUL	ASM	Director, Acquisition and Sourcing Management	ES	$10,900			
93	WHITE	MALE	GOLDEN	MICHAEL	OGC	Managing Associate General Counsel, Procurement Law (Career SES appointment 09/03/06)	ES				
94	WHITE	MALE	GOLDSTEIN	MARK	PI	Director, Physical Infrastructure	ES				
95	WHITE	MALE	GOOTNICK	DAVID	IAT	Director, International Affairs and Trade	ES				
96	WHITE	MALE	GORDON	DANIEL	OGC	Managing Associate General Counsel-Procurement Law)	ES	$17,000			
97	WHITE	MALE	HILLMAN	RICHARD	FMCI	Managing Director, Financial Markets and Community Investment	ES				
98	WHITE	MALE	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$17,000			
99	WHITE	MALE	HITE	RANDOLPH	IT	Director, Information Technology	ES	$8,900			
100	WHITE	MALE	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management (retired 01/03/07)	ES				
101	WHITE	MALE	JENKINS JR	WILLIAM	HSJ	Director, Homeland Security and Justice	ES				
102	WHITE	MALE	KEPPLINGER	GARY	OGC	Executive Committee - General Counsel (reassigned 07/01/06 - formerly Deputy General Counsel)	ES	$27,000			
103	WHITE	MALE	KRAUS (See Note 5)	JOSEPH	CAO-ISTS	Chief Information Officer (Limited Term SES appointment 11/16/06)					
104	WHITE	MALE	KUTZ	GREGORY	FMA	Managing Director, Forensic Audits and Special Investigations	ES	$13,000			
105	WHITE	MALE	LEVIN	ROBERT	ASM	Director, Acquisition and Sourcing Management (retired 01/03/06)	ES				

CY 2006
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during the calendar year Jan 1 - Dec 31, 2006)
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								Other Cash Compensation			
	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Awards Paid in CY 06 (See Note 1)	Retention Incentive Paid in CY 06 (See Note 2)	Recruitment Incentive Paid in CY 06
106	WHITE	MALE	MARTIN	JOHN	ARM	Senior Level Technologist	SL				
107	WHITE	MALE	MARTIN	ROBERT	FMA	Director, Financial Management and Assurance	ES				
108	WHITE	MALE	MCCOOL	THOMAS	ARM	Director, Center for Economics	ES	$10,900			
109	WHITE	MALE	MELITO (See Note 6)	THOMAS	IAT	Director, International Affairs and Trade	ES			$8,686.45	
110	WHITE	MALE	MIHM	J CHRISTOPHER	SI	Managing Director, Strategic Issues	ES	$17,000			
111	WHITE	MALE	MOTLEY	MICHAEL	OCI	Director of Continuous Improvement	ES				
112	WHITE	MALE	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES				
113	WHITE	MALE	POSNER	PAUL	SI	Director, Strategic Issues (retired 01/11/06)	ES				
114	WHITE	MALE	POWNER	DAVID	IT	Director, Information Technology	ES	$8,900			
115	WHITE	MALE	RABKIN	NORMAN	HSJ	Managing Director, Homeland Security and Justice	ES	$14,000			
116	WHITE	MALE	RHODES	KEITH	ARM	Chief Technologist and Director, Center for Technology and Engineering	ES	$13,000			
117	WHITE	MALE	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security (retired 03/03/07)	ES				
118	WHITE	MALE	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$25,000			
119	WHITE	MALE	SCHWARTZ	SIDNEY	ARM	Director, Center for Design, Methods and Analysis (Career SES appointment 12/10/06)	ES				
120	WHITE	MALE	SEBASTIAN	STEVEN	FMA	Director, Financial Management and Assurance	ES	$8,900			
121	WHITE	MALE	SELTSER	BARRY	ARM	Director, Applied Research and Methods (retired 06/09/06)	ES				
122	WHITE	MALE	SHEAR	WILLIAM	FMCI	Director, Financial Markets and Community Investment	ES				
123	WHITE	MALE	STALCUP	GEORGE	SI	Director, Strategic Issues	ES	$8,900			
124	WHITE	MALE	STANA	RICHARD	HSJ	Director, Homeland Security and Justice	ES	$10,900			
125	WHITE	MALE	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$17,000			
126	WHITE	MALE	STEINWALD	ALAN	HC	Director, Health Care	ES				
127	WHITE	MALE	STEPHENSON	JOHN	NRE	Director, Natural Resources and Environment	ES				
128	WHITE	MALE	SULLIVAN	MICHAEL	ASM	Director, Acquisition and Sourcing Management	ES				
129	WHITE	MALE	UNGAR	BERNARD	CR	Special Assistant (Limited Term SES appointment 02/08/04 of reemployed annuitant under Knowledge Transfer program - separated 02/03/07)	ES				
130	WHITE	MALE	WELLS JR	JAMES	NRE	Director, Natural Resources and Environment (retired 03/31/07)	ES				
131	WHITE	MALE	WHITE	JAMES	SI	Director, Strategic Issues	ES				
132	WHITE	MALE	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$17,000			
133	WHITE	MALE	WILSHUSEN	GREGORY	IT	Director, Information Technology	ES				
134	WHITE	MALE	WOOD	DAVID	FMCI	Director, Financial Markets and Community Investment	ES	$8,900			

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								Other Cash Compensation			
	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 06 Performance (10/01/05 - 9/30/06) Paid in CY 07	Other Awards Paid in CY 06 (See Note 1)	Retention Incentive Paid in CY 06 (See Note 2)	Recruitment Incentive Paid in CY 06
135	WHITE	MALE	WOODS	WILLIAM	ASM	Director, Acquisition and Sourcing Management	ES				
136	WHITE	MALE	YAGER	LOREN	IAT	Director, International Affairs and Trade	ES	$8,900			
							Totals	$901,700	$0.00	$29,789.82	$10,000

Notes:

1 - Column labeled "Other Awards Paid in CY 06" includes the total amount of other awards processed during the calendar year for which SES/SL employees are eligible. SES/SL employees may receive monetary recognition for Results Through Teamwork awards or to recognize a suggestion, superior accomplishment, extra effort, productivity gain, special act or service in the public interest in connection with official employment, or other personal effort that contributes to the economy, efficiency or other improvement in government operations. Any awards received prior to appointment to the SES/SL are not included.
2 - Column labeled "Retention Incentive Paid in CY 06" contains calendar year payments for pay period nos. 1 - 26.
3 - KANOF - Continuing to receive "Retention Incentive" in CY 07 at 13 percent per pay period (actual amount shown in summary total for CY 07).
4 - DORN - Received $7,000 in "Other Awards" approved in CY 06, but paid in CY 07.
5 - KRAUS - Received $41,250 in "Recruitment Incentive" approved in CY 06, but paid in CY 07.
6 - MELITO - Continuing to receive "Retention Incentive" in CY 07 at 6 percent per pay period (actual amount shown in summary total for CY 07).

Additional Notes:
Total number of SES/SL employees (on-board at any time during CY 2006) = 136
Total Number of SES/SL employees eligible for bonuses (i.e., those who received a rating and were on board at the end of the performance appraisal cycle on 9/30/06) = 118
Total Number of SES/SL employees who received bonuses = 72
Average SES/SL bonus = $12,524
Percentage of SES/SL employees who received bonuses = 61.01%

The following positions are equivalent to a Managing Director:
Chief Human Capital Officer
Chief Information Officer
Controller
Executive Director, Federal Accounting Standards and Advisory Board
Inspector General

CY 2005
(Includes all SES/SL on board sometime during the calendar year Jan 1 - Dec 31, 2005)
Sorted Alphabetically

	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 05 Performance (10/01/04 - 9/30/05) Paid in CY 06	Other Awards Paid in CY 05 (See Note 1)	Retention Incentive Paid in CY 05 (See Note 2)	Recruitment Incentive Paid in CY 05
1	ALLEN	KATHRYN	HC	Director, Health Care	ES	$11,900			
2	ALOISE	EUGENE	NRE	Director, Natural Resources and Environment (Career SES appointment 03/06/05 - Class 16)	ES	$9,400			
3	ANDERSON	PAUL	PA	Managing Director, Public Affairs	ES	$8,775			
4	ANDERSON GUTHRIE	CAROL	FO (Dallas)	Regional Director, Central Region (Career SES appointment 05/01/05)	ES				
5	ANDERSON JR	JOHN	FO	Managing Director, Field Operations	ES				
6	APPLEBAUM	JOSEPH	ARM	Chief Actuary	SL	$9,400	$1,000		
7	ARONOVITZ	LESLIE	HC	Director, Health Care	ES	$11,900			
8	ASHBY	CORNELIA	EWIS	Director, Education, Workforce and Income Security	ES				
9	BACKHUS	STEPHEN	QCI	Director, Goals 2 and 3	ES	$9,400			
10	BARKAKATI	NABAJYOTI	ARM	Senior Level Technologist	SL	$9,400			
11	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$11,900			
12	BELLIS	DAVID	EWIS	Director, Education, Workforce and Income Security	ES				
13	BERRICK	CATHLEEN	HSJ	Director, Homeland Security and Justice	ES	$11,400			
14	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$11,900			
15	BOWLING	TIMOTHY	QCI	Managing Director, Quality and Continuous Improvement/Chief Quality Officer	ES	$25,000			
16	BROSTEK	MICHAEL	SI	Director, Strategic Issues	ES				
17	BROWN	RICHARD	CR	Special Assistant (Limited Term SES appointment 09/21/03 of reemployed annuitant under Knowledge Transfer progam - separated 09/17/05)	ES				
18	CALBOM	LINDA	FMA	Director, Financial Management and Assurance	ES	$9,400			
19	CALVARESI BARR	ANN	ASM	Director, Acquisition and Sourcing Management (Career SES appointment 03/06/05 - Class 16)	ES				
20	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$11,900			
21	CICCO JR	ANTHONY	CAO-ISTS	Deputy Chief Administrative Officer/Chief Information Officer	ES	$18,900			
22	CLARK JR	DAVID	CAO-PDP	Managing Director, Professional Development Program (reassigned 05/01/05 - formerly Director, Financial Management and Assurance)	ES				
23	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$10,000			
24	COOPER	DAVID	ASM	Director, Acquisition and Sourcing Management	ES	$11,900			
25	CRAMER (See Note 3)	ROBERT	OGC	Associate General Counsel-Goal 3 (reassigned 05/15/05 - formerly Managing Director, Office of Special Investigations)	ES			$463.10	

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26	CROSSE	MARCIA	HC	Director, Health Care	ES	$9,400			
27	CURTIN	NEAL	QCI	Project Manager (Limited Term SES appointment 07/24/05 of reemployed annuitant under Knowledge Transfer program - separated 12/24/05)	ES				
28	CZERWINSKI	STANLEY	SI	Director, Strategic Issues (reassigned 10/02/05 - formerly Controller)	ES				
29	DACEY (See Note 3)	ROBERT	ARM	Chief Accountant	ES	$11,900		$279.08	
30	DAGOSTINO	DAVI	DCM	Director, Defense Capabilities and Management	ES				
31	DALTON	PATRICIA	PI	Managing Director, Physical Infrastructure	ES	$14,150			
32	DICKEN	JOHN	HC	07/10/05)	ES				
33	DILLINGHAM	GERALD	PI	Director, Physical Infrastructure	ES				
34	DODARO (See Note 3)	GENE	COO	Executive Committee - Chief Operating Officer	ES	$28,075	$880	$279.08	
35	DUMMIT	LAURA	HC	Director, Health Care (separated 02/05/05)	ES				
36	EKSTRAND	LAURIE	HSJ	Director, Homeland Security and Justice	ES				
37	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$9,400			
38	FAGNONI	CYNTHIA	EWIS	Managing Director, Education, Workforce and Income Security	ES	$14,150			
39	FARROW	R SCOTT	ARM	Chief Economist (separated 07/29/05)	SL				
40	FORD	JESS	IAT	Director, International Affairs and Trade	ES				
41	FRANCIS	PAUL	ASM	Director, Acquisition and Sourcing Management	ES	$11,900			
42	FRANZEL	JEANETTE	FMA	Director, Financial Management and Assurance	ES	$11,900			
43	GAMBOA (See Note 3)	ANTHONY	OGC	Executive Committee - General Counsel	ES	$18,900		$279.08	
44	GARCIA	FRANCES	IG	Inspector General	ES				
45	GEBICKE	MARK	CAO-PDP	Managing Director, Professional Development Program (retired 05/03/05)	ES				
46	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$11,400			
47	GOLDSTEIN	MARK	PI	Director, Physical Infrastructure	ES	$9,400			
48	GOOTNICK	DAVID	IAT	Director, International Affairs and Trade	ES				
49	GORDON	DANIEL	OGC	Managing Associate General Counsel-Procurement Law	ES	$12,650			
50	GREWE	BARBARA	OGC	Associate General Counsel (separated 07/22/05)	ES				
51	GRYSZKOWIEC	MICHAEL	QCI	Special Assistant (Limited Term appointment 03/29/05 of reemployed annuitant under Knowledge Transfer program - separated 09/30/05)	ES				
52	GUERRERO	PETER	PI	Director, Physical Infrastructure (retired 01/03/05)	ES				
53	HARPER (See Note 3)	SALLYANNE	CAO	Executive Committee - Chief Administrative Officer/Chief Financial Officer	ES	$26,400		$279.08	
54	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES				
55	HECKMANN	CYNTHIA	CAO-ISTS	Deputy Chief Information Officer	ES	$12,650			
56	HEINRICH	JANET	HC	Director, Health Care (retired 02/28/05)	ES				

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57	HILLMAN	RICHARD	FMCI	Managing Director, Financial Markets and Community Investment (reassigned 08/07/05 - formerly Director, Financial Markets and Community Investment)	ES	$11,900			
58	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$25,000			
59	HITE	RANDOLPH	IT	Director, Information Technology	ES	$9,400			
60	HOENIG	CHRISTOPHER	SI	Director, Strategic Issues (separated 02/15/05)	ES				
61	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Services	ES	$11,400			
62	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management	ES	$11,900			
63	HOSKINS	JESSE	CAO-HCO	Chief Human Capital Officer	ES				
64	HSING	HELEN	SPEL	Managing Director, Strategic Planning and External Liaison	ES	$14,150			
65	HUNTER	DENISE	FO (Boston)	Regional Director, Eastern Region	ES				
66	IRVING	SUSAN	SI	Director, Strategic Issues	ES	$9,400			
67	JAGGAR	SARAH	CAO-HCO	Managing Director, Human Capital Office (retired 04/30/05)	ES				
68	JARMON	GLORIA	CR	Managing Director, Congressional Relations	ES	$18,550			
69	JENKINS JR	WILLIAM	HSJ	Director, Homeland Security and Justice	ES				
70	JONES	PAUL	HSJ	Director, Homeland Security and Justice	ES				
71	JONES	YVONNE	FMCI	Director, Financial Markets and Community Investment (Career SES appointment 03/06/05 - Class 16)	ES				
72	KANOF	MARJORIE	HC	Managing Director, Health Care	ES	$16,650		$21,050.57	
73	KEPPLINGER	GARY	OGC	Deputy General Counsel	ES	$14,150			
74	KING	KATHLEEN	HC	Director, Health Care	ES				
75	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$18,900			
76	KLADIVA	SUSAN	CG	Special Assistant to the Comptroller General for Performance Systems (Limited Term SES appointment 07/13/03 of reemployed annuitant under Knowledge Transfer program - separated 05/27/06)	ES				
77	KOONTZ	LINDA	IT	Director, Information Technology	ES	$9,400			
78	KUTZ	GREGORY	FMA	Managing Director, Forensic Audits and Special Investigations (reassigned 05/01/05 - formerly Director, Financial Management and Assurance)	ES	$11,900			
79	LARENCE	EILEEN	HSJ	Director, Homeland Security and Justice (Career SES appointment 03/06/05 - Class 16)	ES				
80	LEVIN	ROBERT	ASM	Director, Acquisition and Sourcing Management	ES				
81	LI	ALLEN	ASM	Director, Acquisition and Sourcing Management	ES	$11,900			

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						Other Cash Compensation			
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82	MALFI (See Note 3)	RONALD	SPEL	Director for Special Projects, Strategic Planning and External Liaison (separated 10/04/05)	ES			$411.65	
83	MARTIN	JOHN	ARM	Senior Level Technologist	SL	$9,400			
84	MARTIN	ROBERT	FMA	Director, Financial Management and Assurance (Career SES appointment 03/06/05 - Class 16)	ES				
85	MAY	STEPHANIE	OGC	Managing Associate General Counsel, Goal 2	ES				
86	MCCOOL	THOMAS	ARM	Director, Center for Economics (reassigned 08/07/05 - formerly Managing Director, Financial Markets and Community Investment)	ES	$14,150			
87	MELITO	THOMAS	IAT	Director, International Affairs and Trade (Career SES appointment 03/06/05 - Class 16)	ES			$9,337.90	
88	MIHM	J CHRISTOPHER	SI	Managing Director, Strategic Issues	ES	$18,900			
89	MITTAL	ANU	NRE	Director, Natural Resources and Environment	ES				
90	MOTLEY	MICHAEL	QCI	Director of Continuous Improvement	ES				
91	NAZZARO	ROBIN	NRE	Director, Natural Resources and Environment	ES	$9,400			
92	NELSON	BENJAMIN	QCI	Managing Director, Goal 1	ES	$9,400			
93	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES				
94	PANWAR	MADHAV	ARM	Senior Level Technologist	SL	$9,400			
95	PARKER	ROBERT	ARM	Chief Statistician (retired 07/23/05)	SL				
96	PICKUP	SHARON	DCM	Director, Defense Capabilities and Management	ES	$9,400			
97	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$12,650			
98	POSNER	PAUL	SI	Director, Strategic Issues	ES				
99	POWNER	DAVID	IT	Director, Information Technology	ES	$9,400			
100	RABKIN	NORMAN	HSJ	Managing Director, Homeland Security and Justice	ES	$14,150			
101	RHODES	KEITH	ARM	Chief Technologist and Director, Center for Technology and Engineering	ES	$12,650			
102	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security	ES				
103	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$18,900			
104	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$11,400			
105	SCHINASI	KATHERINE	ASM	Managing Director, Acquisition and Sourcing Management	ES	$14,150			
106	SEBASTIAN	STEVEN	FMA	Director, Financial Management and Assurance	ES				
107	SELTSER	BARRY	ARM	Director, Applied Research and Methods	ES		$250		
108	SHAH	DAYNA	OGC	Associate General Counsel-Goal 1	ES		$250		
109	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security	ES				
110	SHEAR	WILLIAM	FMCI	Director, Financial Markets and Community Investment	ES				
111	SIGGERUD	KATHERINE	PI	Director, Physical Infrastructure	ES	$11,400			
112	SILL	GEORGE	CAO	Special Assistant (separated 03/04/05)	ES				
113	SMITH	ELLIOTT	FO (Dallas)	Regional Director, Central Region (retired 05/02/05)	ES				

CY 2005
(includes all SES/SL on board sometime during the calendar year Jan 1 - Dec 31, 2005)
Sorted Alphabetically

						Other Cash Compensation			
	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 05 Performance (10/01/04 - 9/30/05) Paid in CY 06	Other Awards Paid in CY 05 (See Note 1)	Retention Incentive Paid in CY 05 (See Note 2)	Recruitment Incentive Paid in CY 05
114	SOLIS	WILLIAM	DCM	Director, Defense Capabilities and Management	ES				
115	ST LAURENT	JANET	DCM	Director, Defense Capabilities and Management	ES				
116	STALCUP	GEORGE	SI	Director, Strategic Issues	ES				
117	STANA	RICHARD	HSJ	Director, Homeland Security and Justice	ES				
118	STEINHARDT	BERNICE	SI	Director, Strategic Issues	ES				
119	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$18,900			
120	STEINWALD	ALAN	HC	Director, Health Care	ES				
121	STEPHENSON	JOHN	NRE	Director, Natural Resources and Environment	ES				
122	STEWART	DEREK	DCM	Director, Defense Capabilities and Management	ES	$11,900			
123	STILLMAN	RONA	ARM	Special Assistant to the Chief Technologist (Limited Term SES appointment 04/03/05 of reemployed annuitant - separated 06/01/06)	ES				
124	STRADER	GEORGE	CAO-CASO	Controller (Career SES appointment 10/02/05)	ES				$10,000
125	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$14,150			
126	SULLIVAN	MICHAEL	ASM	Director, Acquisition and Sourcing Management (Career SES appointment 03/06/05 - Class 16)	ES				
127	TETI	CATHERINE	CAO-KS	Managing Director, Knowledge Services	ES	$11,900			
128	THOMPSON	SALLY	FMA	Director, Financial Management and Assurance (retired 09/30/05)	ES				
129	TRAN	HAI	ARM	Senior Level Technologist	SL	$9,400			
130	UNGAR	BERNARD	CR	Special Assistant (Limited Term SES appointment 02/08/04 of reemployed annuitant under Knowledge Transfer program - separated 02/03/07)	ES				
131	WANNISKY	KATHLEEN	OGC	Managing Associate General Counsel, Mission and Operations	ES				
132	WELLS JR	JAMES	NRE	Director, Natural Resources and Environment	ES				
133	WESTIN	SUSAN	IAT	U.S. Representative to NATO	ES				
134	WHITE	JAMES	SI	Director, Strategic Issues	ES				
135	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$18,900			
136	WILLETT	CAROL	CAO-HCO	Chief Learning Officer	ES	$11,400			
137	WILLIAMS	MCCOY	FMA	Director, Financial Management and Assurance	ES	$11,900			
138	WILLIAMS	ORICE	FMCI	Director, Financial Markets and Community Investment (Career SES appointment 03/06/05 - Class 16)	ES				
139	WILLIAMS BRIDGERS	JACQUELYN	IAT	Managing Director, International Affairs and Trade	ES	$18,900			
140	WILSHUSEN	GREGORY	IT	Director, Information Technology (Career SES appointment 03/06/05 - Class 16)	ES				
141	WOOD	DAVID	FMCI	Director, Financial Markets and Community Investment	ES				

CY 2005
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	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 05 Performance (10/01/04 - 9/30/05) Paid in CY 06	Other Awards Paid in CY 05 (See Note 1)	Retention Incentive Paid in CY 05 (See Note 2)	Recruitment Incentive Paid in CY 05
142	WOODS	WILLIAM	ASM	Director, Acquisition and Sourcing Management	ES				
143	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region	ES	$14,150			
144	YAGER	LOREN	IAT	Director, International Affairs and Trade	ES	$9,400			
					Totals	$925,000	$2,380.00	$32,379.54	$10,000

Notes:

1 - Column labeled "Other Awards Paid in CY 05" includes the total amounts of other awards processed during the calendar year for which SES/SL employees are eligible. SES/SL employees may receive monetary recognition for Results Through Teamwork awards or to recognize a suggestion, superior accomplishment, extra effort, productivity gain, special act or service in the public interest in connection with official employment, or other personal effort that contributes to the economy, efficiency or other improvement in government operations. Any awards received prior to appointment to the SES/SL are not included.

2 - Column labeled "Retention Incentive Paid in CY 05" contains calendar year payments for pay periods nos. 1 - 26.

3 - CRAMER, DACEY, DODARO, GAMBOA, HARPER AND MALFI - The amount shown in the column labeled "Retention Incentive Paid in CY 05" is the amount paid for in pay period no. 1 in CY 05 (i.e., 01/09/05 - 01/22/05). These retention incentives were terminated pay period no. 2 in CY 05 (i.e., 01/23/05 -02/06/05).

Additonal Notes:

Total number of SES/SL employees (on-board at any time during CY 2005) = 144
Total Number of SES/SL employees eligible for bonuses (i.e., those who received a rating and were on board at the end of the performance appraisal cycle on 9/30/05) = 121
Total Number of SES/SL employees who received bonuses = 70
Average SES/SL bonus = $13,214
Percentage of SES/SL employees who received bonuses = 57.85%

The following positions are equivalent to a Managing Director:
Chief Human Capital Officer
Chief Information Officer
Controller
Executive Director, Federal Accounting Standards and Advisory Board
Inspector General

CY 2006
(Includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2006)
Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation			
								Bonus For FY 05 Performance (10/01/04 - 9/30/05) Paid in CY 06	Other Awards Paid in CY 05 (See Note 1)	Retention Incentive Paid in CY 05 (See Note 2)	Recruitment Incentive Paid in CY 05
1	AF-AMER	FEMALE	ANDERSON GUTHRIE	CAROL	FO (Dallas)	Regional Director, Central Region (Career SES appointment 05/01/05)	ES				
2	AF-AMER	FEMALE	ASHBY	CORNELIA	EWIS	Director, Education, Workforce and Income Security	ES				
3	AF-AMER	FEMALE	JARMON	GLORIA	CR	Managing Director, Congressional Relations	ES	$18,550			
4	AF-AMER	FEMALE	JONES	YVONNE	FMCI	Director, Financial Markets and Community Investment (Career SES appointment 03/06/05 - Class 16)	ES				
5	AF-AMER	FEMALE	WILLIAMS	ORICE	FMCI	Director, Financial Markets and Community Investment (Career SES appointment 03/06/05 - Class 16)	ES				
6	AF-AMER	FEMALE	WILLIAMS BRIDGERS	JACQUELYN	IAT	Managing Director, International Affairs and Trade	ES	$18,900			
7	AF-AMER	MALE	DILLINGHAM	GERALD	PI	Director, Physical Infrastructure	ES				
8	AF-AMER	MALE	HOSKINS	JESSE	CAO-HCO	Chief Human Capital Officer	ES				
9	AF-AMER	MALE	JONES	PAUL	HSJ	Director, Homeland Security and Justice	ES				
10	AF-AMER	MALE	NELSON	BENJAMIN	QCI	Managing Director, Goal 1	ES	$9,400			
11	AF-AMER	MALE	SMITH	ELLIOTT	FO (Dallas)	Regional Director, Central Region (retired 05/02/05)	ES				
12	AF-AMER	MALE	STEWART	DEREK	DCM	Director, Defense Capabilities and Management	ES	$11,900			
13	AF-AMER	MALE	STRADER	GEORGE	CAO-CASO	Controller (Career SES appointment 10/02/05)	ES				$10,000
14	AF-AMER	MALE	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$14,150			
15	AF-AMER	MALE	WILLIAMS	MCCOY	FMA	Director, Financial Management and Assurance	ES	$11,900			
16	ASIAN	FEMALE	HSING	HELEN	SPEL	Managing Director, Strategic Planning and External Liaison	ES	$14,150			
17	ASIAN	FEMALE	MITTAL	ANU	NRE	Director, Natural Resources and Environment	ES				
18	ASIAN	MALE	BARKAKATI	NABAJYOTI	ARM	Senior Level Technologist	SL	$9,400			
19	ASIAN	MALE	LI	ALLEN	ASM	Director, Acquisition and Sourcing Management	ES	$11,900			
20	ASIAN	MALE	PANWAR	MADHAV	ARM	Senior Level Technologist	SL	$9,400			
21	ASIAN	MALE	SOLIS	WILLIAM	DCM	Director, Defense Capabilities and Management	ES				
22	ASIAN	MALE	TRAN	HAI	ARM	Senior Level Technologist	SL	$9,400			
23	HISPANIC	FEMALE	GARCIA	FRANCES	IG	Inspector General	ES				
24	HISPANIC	MALE	GAMBOA (See Note 3)	ANTHONY	OGC	Executive Committee - General Counsel	ES	$18,900		$279.08	
25	HISPANIC	MALE	GUERRERO	PETER	PI	Director, Physical Infrastructure (retired 01/03/05)	ES				
26	WHITE	FEMALE	ALLEN	KATHRYN	HC	Director, Health Care	ES	$11,900			
27	WHITE	FEMALE	ARONOVITZ	LESLIE	HC	Director, Health Care	ES	$11,900			
28	WHITE	FEMALE	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$11,900			
29	WHITE	FEMALE	BERRICK	CATHLEEN	HSJ	Director, Homeland Security and Justice	ES	$11,400			
30	WHITE	FEMALE	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$11,900			
31	WHITE	FEMALE	CALBOM	LINDA	FMA	Director, Financial Management and Assurance	ES	$9,400			
32	WHITE	FEMALE	CALVARESI BARR	ANN	ASM	Director, Acquisition and Sourcing Management (Career appointment 03/06/05 - Class 16)	ES				

CY 2005
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	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation			
								Bonus For FY 05 Performance (10/01/04 - 9/30/05) Paid in CY 06	Other Awards Paid in CY 05 (See Note 1)	Retention Incentive Paid in CY 05 (See Note 2)	Recruitment Incentive Paid in CY 05
33	WHITE	FEMALE	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$10,000			
34	WHITE	FEMALE	CROSSE	MARCIA	HC	Director, Health Care	ES	$9,400			
35	WHITE	FEMALE	DAGOSTINO	DAVI	DCM	Director, Defense Capabilities and Management	ES				
36	WHITE	FEMALE	DALTON	PATRICIA	PI	Managing Director, Physical Infrastructure	ES	$14,150			
37	WHITE	FEMALE	DUMMIT	LAURA	HC	Director, Health Care (separated 02/05/05)	ES				
38	WHITE	FEMALE	EKSTRAND	LAURIE	HSJ	Director, Homeland Security and Justice	ES				
39	WHITE	FEMALE	FAGNONI	CYNTHIA	EWIS	Security	ES	$14,150			
40	WHITE	FEMALE	FRANZEL	JEANETTE	FMA	Director, Financial Management and Assurance	ES	$11,900			
41	WHITE	FEMALE	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$11,400			
42	WHITE	FEMALE	GREWE	BARBARA	OGC	Associate General Counsel (separated 07/22/05)	ES				
43	WHITE	FEMALE	HARPER (See Note 3)	SALLYANNE	CAO	Executive Committee - Chief Administrative Officer/Chief Financial Officer	ES	$26,400		$279.08	
44	WHITE	FEMALE	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES				
45	WHITE	FEMALE	HECKMANN	CYNTHIA	CAO-ISTS	Deputy Chief Information Officer	ES	$12,650			
46	WHITE	FEMALE	HEINRICH	JANET	HC	Director, Health Care (retired 02/28/05)	ES				
47	WHITE	FEMALE	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Services	ES	$11,400			
48	WHITE	FEMALE	HUNTER	DENISE	FO (Boston)	Regional Director, Eastern Region	ES				
49	WHITE	FEMALE	IRVING	SUSAN	SI	Director, Strategic Issues	ES	$9,400			
50	WHITE	FEMALE	JAGGAR	SARAH	CAO-HCO	Managing Director, Human Capital Office (retired 04/30/05)	ES				
51	WHITE	FEMALE	KANOF	MARJORIE	HC	Managing Director, Health Care	ES	$16,650		$21,050.57	
52	WHITE	FEMALE	KING	KATHLEEN	HC	Director, Health Care	ES				
53	WHITE	FEMALE	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$18,900			
54	WHITE	FEMALE	KLADIVA	SUSAN	CG	Special Assistant to the Comptroller General for Performance Systems (Limited Term SES appointment 07/13/03 of reemployed annuitant under Knowledge Transfer program - separated 05/27/06)	ES				
55	WHITE	FEMALE	KOONTZ	LINDA	IT	Director, Information Technology	ES	$9,400			
56	WHITE	FEMALE	LARENCE	EILEEN	HSJ	Director, Homeland Security and Justice (Career appointment 03/06/05 - Class 16)	ES				
57	WHITE	FEMALE	MAY	STEPHANIE	OGC	Managing Associate General Counsel, Goal 2	ES				
58	WHITE	FEMALE	NAZZARO	ROBIN	NRE	Director, Natural Resources and Environment	ES	$9,400			
59	WHITE	FEMALE	PICKUP	SHARON	DCM	Director, Defense Capabilities and Management	ES	$9,400			
60	WHITE	FEMALE	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$12,650			
61	WHITE	FEMALE	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$11,400			
62	WHITE	FEMALE	SCHINASI	KATHERINE	ASM	Managing Director, Acquisition and Sourcing Management	ES	$14,150			

CY 2005
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								Bonus For FY 05 Performance (10/01/04 - 9/30/05) Paid In CY 06	Other Awards Paid in CY 05 (See Note 1)	Retention Incentive Paid in CY 05 (See Note 2)	Recruitment Incentive Paid in CY 05
63	WHITE	FEMALE	SHAH	DAYNA	OGC	Associate General Counsel, Goal 1	ES		$250		
64	WHITE	FEMALE	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security	ES				
65	WHITE	FEMALE	SIGGERUD	KATHERINE	PI	Director, Physical Infrastructure	ES	$11,400			
66	WHITE	FEMALE	ST LAURENT	JANET	DCM	Director, Defense Capabilities and Management	ES				
67	WHITE	FEMALE	STEINHARDT	BERNICE	SI	Director, Strategic Issues	ES				
68	WHITE	FEMALE	STILLMAN	RONA	ARM	Special Assistant to the Chief Technologist (Limited Term SES appointment 04/03/05 of reemployed annuitant - separated 06/01/06)	ES				
69	WHITE	FEMALE	TETI	CATHERINE	CAO-KS	Managing Director, Knowledge Services	ES	$11,900			
70	WHITE	FEMALE	THOMPSON	SALLY	FMA	Director, Financial Management and Assurance (retired 09/30/05)	ES				
71	WHITE	FEMALE	WANNISKY	KATHLEEN	OGC	Managing Associate General Counsel, Mission and Operations	ES				
72	WHITE	FEMALE	WESTIN	SUSAN	IAT	U.S. Representative to NATO	ES				
73	WHITE	FEMALE	WILLETT	CAROL	CAO-HCO	Chief Learning Officer	ES	$11,400			
74	WHITE	FEMALE	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region	ES	$14,150			
75	WHITE	MALE	ALOISE	EUGENE	NRE	Director, Natural Resources and Environment (Career SES appointment 03/06/05 - Class 16)	ES	$9,400			
76	WHITE	MALE	ANDERSON	PAUL	PA	Managing Director, Public Affairs	ES	$8,775			
77	WHITE	MALE	ANDERSON JR	JOHN	FO	Managing Director, Field Operations	ES				
78	WHITE	MALE	APPLEBAUM	JOSEPH	ARM	Chief Actuary	SL	$9,400	$1,000		
79	WHITE	MALE	BACKHUS	STEPHEN	OCI	Director, Goals 2 and 3	ES	$9,400			
80	WHITE	MALE	BELLIS	DAVID	EWIS	Director, Education, Workforce and Income Security	ES				
81	WHITE	MALE	BOWLING	TIMOTHY	QCI	Managing Director, Quality and Continuous Improvement/Chief Quality Officer	ES	$25,000			
82	WHITE	MALE	BROSTEK	MICHAEL	SI	Director, Strategic Issues	ES				
83	WHITE	MALE	BROWN	RICHARD	CR	Special Assistant (Limited Term SES appointment 09/21/03 of reemployed annuitant under Knowledge Transfer progam - separated 09/17/05)	ES				
84	WHITE	MALE	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$11,900			
85	WHITE	MALE	CICCO JR	ANTHONY	CAO-ISTS	Deputy Chief Administrative Officer/Chief Information Officer	ES	$18,900			
86	WHITE	MALE	CLARK JR	DAVID	CAO-PDP	Managing Director, Professional Development Program (reassigned 05/01/05 - formerly Director, Financial Management and Assurance)	ES				
87	WHITE	MALE	COOPER	DAVID	ASM	Director, Acquisition and Sourcing Management	ES	$11,900			
88	WHITE	MALE	CRAMER (See Note 3)	ROBERT	OGC	Associate General Counsel,Goal 3 (reassigned 05/15/05 - formerly Managing Director, Office of Special Investigations)	ES			$463.10	

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								Bonus For FY 05 Performance (10/01/04 - 9/30/05) Paid in CY 06	Other Awards Paid in CY 05 (See Note 1)	Retention Incentive Paid in CY 05 (See Note 2)	Recruitment Incentive Paid in CY 05
89	WHITE	MALE	CURTIN	NEAL	QCI	Project Manager (Limited Term SES appointment 07/24/05 of reemployed annuitant under Knowledge Transfer program - separated 12/24/05)	ES				
90	WHITE	MALE	CZERWINSKI	STANLEY	SI	Director, Strategic Issues (reassigned 10/02/05 - formerly Controller)	ES				
91	WHITE	MALE	DACEY (See Note 3)	ROBERT	ARM	Chief Accountant	ES	$11,900		$279.08	
92	WHITE	MALE	DICKEN	JOHN	HC	Director, Health Care (Career SES appointment 07/10/05)	ES				
93	WHITE	MALE	DODARO (See Note 3)	GENE	COO	Executive Committee - Chief Operating Officer	ES	$28,075	$880	$279.08	
94	WHITE	MALE	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$9,400			
95	WHITE	MALE	FARROW	R SCOTT	ARM	Chief Economist (separated 07/29/05)	SL				
96	WHITE	MALE	FORD	JESS	IAT	Director, International Affairs and Trade	ES				
97	WHITE	MALE	FRANCIS	PAUL	ASM	Director, Acquisition and Sourcing Management	ES	$11,900			
98	WHITE	MALE	GEBICKE	MARK	CAO-PDP	Managing Director, Professional Development Program (retired 05/03/05)	ES				
99	WHITE	MALE	GOLDSTEIN	MARK	PI	Director, Physical Infrastructure	ES	$9,400			
100	WHITE	MALE	GOOTNICK	DAVID	IAT	Director, International Affairs and Trade	ES				
101	WHITE	MALE	GORDON	DANIEL	OGC	Managing Associate General Counsel-Procurement Law	ES	$12,650			
102	WHITE	MALE	GRYSZKOWIEC	MICHAEL	QCI	Special Assistant (Limited Term appointment 03/29/05 of reemployed annuitant under Knowledge Transfer program - separated 09/30/05)	ES				
103	WHITE	MALE	HILLMAN	RICHARD	FMCI	Managing Director, Financial Markets and Community Investment (reassigned 08/07/05 - formerly Director, Financial Markets and Community Investment)	ES	$11,900			
104	WHITE	MALE	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$25,000			
105	WHITE	MALE	HITE	RANDOLPH	IT	Director, Information Technology	ES	$9,400			
106	WHITE	MALE	HOENIG	CHRISTOPHER	SI	Director, Strategic Issues (separated 02/15/05)	ES				
107	WHITE	MALE	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management	ES	$11,900			
108	WHITE	MALE	JENKINS JR	WILLIAM	HSJ	Director, Homeland Security and Justice	ES				
109	WHITE	MALE	KEPPLINGER	GARY	OGC	Deputy General Counsel	ES	$14,150			
110	WHITE	MALE	KUTZ	GREGORY	FMA	Managing Director, Forensic Audits and Special Investigations (reassigned 05/01/05 - formerly Director, Financial Management and Assurance)	ES	$11,900			
111	WHITE	MALE	LEVIN	ROBERT	ASM	Director, Acquisition and Sourcing Management	ES				
112	WHITE	MALE	MALFI (See Note 3)	RONALD	SPEL	Director for Special Projects, Strategic Planning and External Liaison (separated 10/04/05)	ES			$411.65	
113	WHITE	MALE	MARTIN	JOHN	ARM	Senior Level Technologist	SL	$9,400			
114	WHITE	MALE	MARTIN	ROBERT	FMA	Director, Financial Management and Assurance (Career appointment 03/06/05 - Class 16)	ES				

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115	WHITE	MALE	MCCOOL	THOMAS	ARM	Director, Center for Economics (reassigned 08/07/05 - formerly Managing Director, Financial Markets and Community Investment)	ES	$14,150			
116	WHITE	MALE	MELITO	THOMAS	IAT	Director, International Affairs and Trade (Career appointment 03/06/05 - Class 16)	ES			$9,337.90	
117	WHITE	MALE	MIHM	J CHRISTOPHER	SI	Managing Director, Strategic Issues	ES	$18,900			
118	WHITE	MALE	MOTLEY	MICHAEL	QCI	Director of Continuous Improvement	ES				
119	WHITE	MALE	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES				
120	WHITE	MALE	PARKER	ROBERT	ARM	Chief Statistician (retired 07/23/05)	SL				
121	WHITE	MALE	POSNER	PAUL	SI	Director, Strategic Issues	ES				
122	WHITE	MALE	POWNER	DAVID	IT	Director, Information Technology	ES	$9,400			
123	WHITE	MALE	RABKIN	NORMAN	HSJ	Managing Director, Homeland Security and Justice	ES	$14,150			
124	WHITE	MALE	RHODES	KEITH	ARM	Chief Technologist and Director, Center for Technology and Engineering	ES	$12,650			
125	WHITE	MALE	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security	ES				
126	WHITE	MALE	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$18,900			
127	WHITE	MALE	SEBASTIAN	STEVEN	FMA	Director, Financial Management and Assurance	ES				
128	WHITE	MALE	SELTSER	BARRY	ARM	Director, Applied Research and Methods	ES		$250		
129	WHITE	MALE	SHEAR	WILLIAM	FMCI	Director, Financial Markets and Community Investment	ES				
130	WHITE	MALE	SILL	GEORGE	CAO	Special Assistant (separated 03/04/05)	ES				
131	WHITE	MALE	STALCUP	GEORGE	SI	Director, Strategic Issues	ES				
132	WHITE	MALE	STANA	RICHARD	HSJ	Director, Homeland Security and Justice	ES				
133	WHITE	MALE	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$18,900			
134	WHITE	MALE	STEINWALD	ALAN	HC	Director, Health Care	ES				
135	WHITE	MALE	STEPHENSON	JOHN	NRE	Director, Natural Resources and Environment	ES				
136	WHITE	MALE	SULLIVAN	MICHAEL	ASM	Director, Acquisition and Sourcing Management (Career appointment 03/06/05 - Class 16)	ES				
137	WHITE	MALE	UNGAR	BERNARD	CR	Special Assistant (Limited Term SES appointment 02/08/04 of reemployed annuitant under Knowledge Transfer program - separated 02/03/07)	ES				
138	WHITE	MALE	WELLS JR	JAMES	NRE	Director, Natural Resources and Environment	ES				
139	WHITE	MALE	WHITE	JAMES	SI	Director, Strategic Issues	ES				
140	WHITE	MALE	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$18,900			
141	WHITE	MALE	WILSHUSEN	GREGORY	IT	Director, Information Technology (Career appointment 03/06/05 - Class 16)	ES				
142	WHITE	MALE	WOOD	DAVID	FMCI	Director, Financial Markets and Community Investment	ES				
143	WHITE	MALE	WOODS	WILLIAM	ASM	Director, Acquisition and Sourcing Management	ES				

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	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 05 Performance (10/01/04 - 9/30/05) Paid in CY 06	Other Awards Paid in CY 05 (See Note 1)	Retention Incentive Paid in CY 05 (See Note 2)	Recruitment Incentive Paid in CY 05
144	WHITE	MALE	YAGER	LOREN	IAT	Director, International Affairs and Trade	ES	$9,400			
							Totals	$925,000	$2,380.00	$32,379.54	$10,000

Notes:

1 - Column labeled "Other Awards Paid in CY 05" includes the total amounts of other awards processed during the calendar year for which SES/SL employees are eligible. SES/SL employees may receive monetary recognition for Results Through Teamwork awards or to recognize a suggestion, superior accomplishment, extra effort, productivity gain, special act or service in the public interest in connection with official employment, or other personal effort that contributes to the economy, efficiency or other improvement in government operations. Any awards received prior to appointment to the SES/SL are not included.

2 - Column labeled "Retention Incentive Paid in CY 05" contains calendar year payments for pay periods nos. 1 - 26.

3 - GAMBOA, HARPER, CRAMER, DACEY, DODARO AND MALFI - The amount shown in the comlumn labeled "Retention Incentive Paid in CY 05" is the amount paid for pay period no. 1 in CY 05 (i.e., 01/09/05 - 01/22/05). The retention incentives were terminated effective pay period no. 2 in CY 05 (i.e., 01/23/05 - 02/05/05).

Additonal Notes:
Total number of SES/SL employees (on-board at any time during CY 2005) = 144
Total number of SES/SL employees eligible for bonuses (i.e., those who received a rating and were on board at the end of the performance appraisal cycle on 9/30/05) = 121
Total number of SES/SL employees who received bonuses = 70
Average SES/SL bonus = $13,214
Percentage of SES/SL employees who received bonuses = 57.85%

The following positions are equivalent to a Managing Director:
Chief Human Capital Officer
Chief Information Officer
Controller
Executive Director, Federal Accounting Standards and Advisory Board
Inspector General

CY 2004
(Includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2004)
Sorted Alphabetically

						Other Cash Compensation			
	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
1	ALLEN	KATHRYN	HC	Director, Health Care	ES		$5,000		
2	ANDERSON JR	JOHN	FO	Managing Director, Field Operations	ES				
3	APPLEBAUM	JOSEPH	ARM	Chief Actuary	SL	$5,000			
4	ARONOVITZ	LESLIE	HC	Director, Health Care	ES	$12,500			
5	ASHBY	CORNELIA	EWIS	Director, Education, Workforce and Income Security	ES				
6	BACKHUS	STEPHEN	QCI	Director, Goals 2 and 3	ES	$10,000	$200		
7	BARKAKATI	NABAJYOTI	ARM	Senior Level Technologist	SL	$5,000			
8	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$12,500			
9	BELLIS	DAVID	EWIS	Director, Education, Workforce and Income Security	ES		$750		
10	BERRICK	CATHLEEN	HSJ	Director, Homeland Security and Justice	ES		$2,000		
11	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$10,000			
12	BOWLING	TIMOTHY	QCI	Managing Director, Quality and Continuous Improvement/Chief Quality Officer	ES	$13,500			
13	BROCK JR (See Note 3)	JACK	CG	Special Assistant to the Comptroller General (reassigned 02/29/04 - formerly Managing Director, Acquisition and Sourcing Management, retired 08/03/04)	ES			$3,189.49	
14	BROSTEK	MICHAEL	SI	Director, Strategic Issues	ES				
15	BROWN	RICHARD	CR	Special Assistant (Limited Term SES appointment 09/21/03 of reemployed annuitant under Knowledge Transfer progam - separated 09/17/05)	ES				
16	CALBOM	LINDA	FMA	Director, Financial Management and Assurance	ES	$10,000			
17	CALDER	PHILIP	ARM	Chief Accountant (retired 07/31/04)	SL				
18	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$10,000			
19	CICCO JR	ANTHONY	CAO-ISTS	Deputy Chief Administrative Officer/Chief Information Officer	ES	$20,000			
20	CLARK JR	DAVID	FMA	Director, Financial Management and Assurance	ES				
21	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$10,000			
22	COOPER	DAVID	ASM	Director, Acquisition and Sourcing Management	ES	$12,500			
23	CRAMER	ROBERT	OSI	Managing Director, Office of Special Investigations	ES			$13,128.76	
24	CROSSE	MARCIA	HC	Director, Health Care	ES	$10,000	$350		
25	CURTIN	NEAL	DCM	Director, Defense Capabilities and Management (retired 11/03/04)	ES				
26	CZERWINSKI	STANLEY	CAO-CASO	Controller	ES				
27	DACEY (See Note 4)	ROBERT	ARM	Chief Accountant (reassigned 07/25/04 - formerly Director, Information Technology)	ES	$5,000		$3,348.96	
28	DAGOSTINO	DAVI	DCM	Director, Defense Capabilities and Management (reassigned 10/31/04 - formerly Director, Financial Markets and Community Investment)	ES				
29	DALTON	PATRICIA	PI	Managing Director, Physical Infrastructure (reassigned 12/26/04 - formerly Director, Strategic Issues)	ES	$12,500			
30	DECKER	RAYMOND	DCM	Director, Defense Capabilities and Management (separated 07/17/04)	ES				
31	DILLINGHAM	GERALD	PI	Director, Physical Infrastructure	ES	$10,000			
32	DODARO (See Note 4)	GENE	COO	Executive Committee - Chief Operating Officer	ES	$29,120		$3,348.96	

CY 2004
(Includes all SES/SL on board sometime during the calendar year Jan 1 - Dec 31, 2004)
Sorted Alphabetically

	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
33	DUMMIT	LAURA	HC	Director, Health Care	ES				
34	DYCKMAN	LAWRENCE	NRE	Director, Natural Resources and Environment (retired 12/31/04)	ES				
35	EKSTRAND	LAURIE	HSJ	Director, Homeland Security and Justice	ES	$12,500			
36	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$10,000			
37	FAGNONI	CYNTHIA	EWIS	Managing Director, Education, Workforce and Income Security	ES	$15,000			
38	FARROW	R SCOTT	ARM	Chief Economist	SL	$10,000			
39	FORD	JESS	IAT	Director, International Affairs and Trade	ES				
40	FRANCIS	PAUL	ASM	Director, Acquisition and Sourcing Management	ES	$10,000			
41	FRANZEL	JEANETTE	FMA	Director, Financial Management and Assurance	ES	$12,500	$450		
42	GAMBOA (See Note 4)	ANTHONY	OGC	Executive Committee - General Counsel	ES	$20,000		$3,348.96	
43	GARCIA	FRANCES	IG	Inspector General	ES				
44	GEBICKE	MARK	CAO-PDP	Managing Director, Professional Development Program	ES				
45	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$10,000	$200		
46	GOLDSTEIN	MARK	PI	Director, Physical Infrastructure	ES				
47	GOOTNICK	DAVID	IAT	Director, International Affairs and Trade	ES				
48	GORDON	DANIEL	OGC	Managing Associate General Counsel-Procurement Law	ES	$13,500			
49	GREWE	BARBARA	OGC	Associate General Counsel	ES	$5,000			
50	GRYSZKOWIEC	MICHAEL	PI	Managing Director, Physical Infrastructure (retired 12/31/04)	ES				
51	GUERRERO	PETER	PI	Director, Physical Infrastructure	ES				
52	HAGENSTAD	M THOMAS	OGC	Associate General Counsel (retired 01/30/04)	ES				
53	HARPER (See Note 4)	SALLYANNE	CAO	Executive Committee - Chief Administrative Officer/Chief Financial Officer	ES	$25,000		$3,348.96	
54	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES	$10,000			
55	HECKMANN	CYNTHIA	CAO-ISTS	Deputy Chief Information Officer	ES		$1,500		
56	HEINRICH	JANET	HC	Director, Health Care	ES				
57	HEIVILIN	DONNA	ARM	Director, Applied Research and Methods (retired 04/30/04)	ES				
58	HILL	BARRY	NRE	Director, Natural Resources and Environment (retired 12/31/04)	ES				
59	HILLMAN	RICHARD	FMCI	Director, Financial Markets and Community Investment	ES	$10,000			
60	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$20,000			
61	HITE	RANDOLPH	IT	Director, Information Technology	ES	$10,000	$150		
62	HOENIG	CHRISTOPHER	SI	Director, Strategic Issues	ES	$10,000			
63	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Services	ES	$10,000	$1,000		
64	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management	ES	$12,500			
65	HOSKINS	JESSE	CAO-HCO	Chief Human Capital Officer	ES	$13,500			
66	HSING	HELEN	SPEL	Managing Director, Strategic Planning and External Liaison	ES	$15,000	$700		
67	HUNTER	DENISE	FO (Boston)	Regional Director, Eastern Region (CG Career appointment 09/05/04)	ES				
68	IRVING	SUSAN	SI	Director, Strategic Issues	ES	$10,000			

CY 2004
(includes all SES/SL on board sometime during the calendar year Jan 1 - Dec 31, 2004)
Sorted Alphabetically

	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
69	JAGGAR	SARAH	CAO-HCO	Managing Director, Human Capital Office	ES				
70	JARMON	GLORIA	CR	Managing Director, Congressional Relations	ES	$25,000	$500		
71	JENKINS JR	WILLIAM	HSJ	Director, Homeland Security and Justice	ES				
72	JONES	PAUL	HSJ	Director, Homeland Security and Justice	ES				
73	KANOF	MARJORIE	HC	Managing Director, Health Care (reassigned 02/29/04 - formerly Director, Health Care)	ES	$15,000		$28,881.28	
74	KEPPLINGER	GARY	OGC	Deputy General Counsel	ES	$15,000	$500		
75	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$15,000			
76	KLADIVA	SUSAN	CG	Special Assistant to the Comptroller General for Performance Systems (Limited Term SES appointment 07/13/03 of reemployed annuitant under Knowledge Transfer program - separated 05/27/06)	ES				
77	KOONTZ	LINDA	IT	Director, Information Technology	ES	$10,000	$500		
78	KUTZ	GREGORY	FMA	Director, Financial Management and Assurance	ES	$12,500	$750		
79	LEVIN	ROBERT	ASM	Director, Acquisition and Sourcing Management	ES				
80	LI	ALLEN	ASM	Director, Acquisition and Sourcing Management	ES	$12,500			
81	MALFI	RONALD	OGC	Director for Special Projects, Strategic Planning and External Liaison (reassigned 12/03/04 - formerly Director Office of Special Investigations)	ES			$11,804.38	
82	MARTIN	JOHN	ARM	Senior Level Technologist	SL	$10,000	$1,800		
83	MAY	STEPHANIE	OGC	Managing Associate General Counsel, Goal 2	ES				
84	MCCOOL	THOMAS	FMCI	Managing Director, Financial Markets and Community Investment	ES	$15,000			
85	MIHM	J CHRISTOPHER	SI	Managing Director, Strategic Issues (reassigned 02/01/04 - formerly Director, Strategic Issues)	ES	$15,000			
86	MITTAL	ANU	NRE	Director, Natural Resources and Environment	ES				
87	MOTLEY	MICHAEL	OCI	Director of Continuous Improvement	ES		$1,500		
88	NAZZARO	ROBIN	NRE	Director, Natural Resources and Environment	ES	$10,000			
89	NELLIGAN	JEFFREY	PA	Managing Director, Public Affairs (separated 10/15/04)	ES				
90	NELSON	BENJAMIN	QCI	Managing Director, Goal 1	ES	$10,000	$1,000		
91	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES				
92	PANWAR	MADHAV	ARM	Senior Level Technologist	SL	$5,000			
93	PARKER	ROBERT	ARM	Chief Statistician	SL	$10,000			
94	PICKUP	SHARON	DCM	Director, Defense Capabilities and Management	ES		$750		
95	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$13,500			
96	POSNER	PAUL	SI	Director, Strategic Issues	ES	$12,000			
97	POWNER	DAVID	IT	Director, Information Technology	ES	$10,000	$1,000		
98	RABKIN	NORMAN	HSJ	Director, Homeland Security and Justice	ES	$10,000	$69.88		
99	REZENDES	VICTOR	SI	Managing Director, Strategic Issues (retired 02/02/04)	ES				
100	RHODES	KEITH	ARM	Chief Technologist and Director, Center for Technology and Engineering	ES	$13,500			
101	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security	ES				
102	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$20,000			

CY 2004
(includes all SES/SL on board sometime during the calendar year Jan 1 - Dec 31, 2004)
Sorted Alphabetically

	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
103	RODRIGUES	LOUIS	FO (Atlanta)	Special Advisor/Regional Director, Eastern Region (retired 10/01/04)	ES		$115.15		
104	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$10,000			
105	SCANLON (See Note 5)	WILLIAM	HC	Managing Director, Health Care (retired 03/31/04)	ES			$4,160.80	
106	SCHINASI	KATHERINE	ASM	Managing Director, Acquisition and Sourcing Management	ES	$15,000			
107	SEBASTIAN	STEVEN	FMA	Director, Financial Management and Assurance	ES				
108	SELTSER	BARRY	ARM	Director, Applied Research and Methods	ES		$100		
109	SHAH	DAYNA	OGC	Associate General Counsel, Goal 1	ES				
110	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security	ES	$10,000			
111	SHEAR	WILLIAM	FMCI	Director, Financial Markets and Community Investment	ES				
112	SIGGERUD	KATHERINE	PI	Director, Physical Infrastructure	ES		$1,750		
113	SILL	GEORGE	CAO	Special Assistant	ES				
114	SMITH	ELLIOTT	FO (Dallas)	Regional Director, Central Region	ES				
115	SOLIS	WILLIAM	DCM	Director, Defense Capabilities and Management	ES		$750		
116	ST LAURENT	JANET	DCM	Director, Defense Capabilities and Management	ES				
117	STALCUP	GEORGE	SI	Director, Strategic Issues	ES				
118	STANA	RICHARD	HSJ	Director, Homeland Security and Justice	ES	$10,000			
119	STEINHARDT	BERNICE	SI	Director, Strategic Issues (reassigned 12/26/04 - formerly Director, Strategic Planning and External Liaison)	ES	$5,000			
120	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$15,000			
121	STEINWALD	ALAN	HC	Director, Health Care	ES				
122	STEPHENSON	JOHN	NRE	Director, Natural Resources and Environment	ES				
123	STEWART	DEREK	DCM	Director, Defense Capabilities and Management	ES	$10,000			
124	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$15,000			
125	TETI	CATHERINE	CAO-KS	Managing Director, Knowledge Services	ES	$12,500			
126	THOMPSON	SALLY	FMA	Director, Financial Management and Assurance	ES				
127	TRAN	HAI	ARM	Senior Level Technologist	SL	$5,000			
128	UNGAR	BERNARD	CR	Special Assistant (Limited Term SES appointment 02/08/04 of reemployed annuitant under Knowledge Transfer program - separated 02/03/07)	ES				
			PI	Director, Physical Infrastructure (retired 01/02/04)	ES				
129	WANNISKY	KATHLEEN	OGC	Managing Associate General Counsel, Mission and Operations	ES				
130	WARREN	DAVID	CAO	Special Assistant for Staffing Engagements (Limited Term SES appointment 02/08/04 of reemployed annuitant under Knowledge Transfer program - separated 10/08/04)	ES				
131	WELLS JR	JAMES	NRE	Director, Natural Resources and Environment	ES				
132	WESTIN	SUSAN	IAT	U.S. Representative to NATO (reassigned 01/04/04 - formerly Managing Director, International Affairs and Trade)	ES				
133	WHITE	JAMES	SI	Director, Strategic Issues	ES				

CY 2004
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2004)
Sorted Alphabetically

						Other Cash Compensation			
	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
134	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$20,000	$1,000		
135	WILLETT	CAROL	CAO-HCO	Chief Learning Officer	ES		$153.03		
136	WILLIAMS	MCCOY	FMA	Director, Financial Management and Assurance	ES	$10,000			
137	WILLIAMS BRIDGERS	JACQUELYN	IAT	Managing Director, International Affairs and Trade	ES	$15,000			
138	WOOD	DAVID	FMCI	Director, Financial Markets and Community Investment	ES				
139	WOODS	WILLIAM	ASM	Director, Acquisition and Sourcing Management	ES				
140	WRAY	HENRY	OGC	Special Assistant to Associate General Counsel, Goal 3 (Limited Term SES appointment 01/07/04 of reemployed annuitant - separated 07/09/04)	ES				
141	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region	ES	$12,500			
142	YAGER	LOREN	IAT	Director, International Affairs and Trade	ES				
143	YIM	RANDALL	HSJ	Director, National Preparedness, Homeland Security and Justice (separated 10/02/04)	ES				
					Totals	$886,120	$24,538.06	$74,560.55	$0

Notes:

1 - Column labeled "Other Awards Paid in CY 04" includes the total amounts of other awards processed during the calendar year for which SES/SL employees are eligible. SES/SL employees may receive monetary recognition for Results Through Teamwork awards or to recognize a suggestion, superior accomplishment, extra effort, productivity gain, special act or service in the public interest in connection with official employment, or other personal effort that contributes to the economy, efficiency or other improvement in government operations. Any awards received prior to appointment to the SES/SL are not included.

2 - Column labeled "Retention Incentive Paid in CY 04" contains calendar year payments for pay periods nos. 1 - 26.

3 - BROCK -The amount showin in column labeled "Retention Incentive Paid in CY 04" is the amount paid for in pay period nos. 10 through 15 in CY 04 (i.e., 05/16/04 - 08/07/04) and terminated with the employee's retirement on 08/03/04.

4 - OACEY, DODARO, GAMBO and HARPER - These retention incentives were effective pay period no. 15 in CY 04. The amount shown in column labeled "Retention Incentive Paid in CY 04" is the amount paid for in pay period nos. 15 through 26 in CY 04 (i.e., 07/25/04 - 01/08/05).

5 - SCANLON - The amount shown in column labeled "Retention Incentive Paid in CY 04" is the amount paid for pay period nos. 1 through 6 in CY 04 (i.e., 01/11/04 - 04/03/04) and terminated with the employee's retirement on 03/31/04.

Additonal Notes:

Total number of SES/SL employees (on-board at any time during CY 2004) = 143
Total Number of SES/SL employees eligible for bonuses (i.e., those who received a rating and were on board at the end of the performance appraisal cycle on 9/30/04) = 124
Total Number of SES/SL employees who received bonuses = 72
Average SES/SL bonus = $12,307
Percentage of SES/SL employees who received bonuses = 58.06%

The following positions are equivalent to a Managing Director:
Chief Human Capital Officer
Chief Information Officer
Controller
Executive Director, Federal Accounting Standards and Advisory Board
Inspector General

CY 2004
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2004)
Sorted by Race and Gender

								Other Cash Compensation			
	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
1	AF-AMER	FEMALE	ASHBY	CORNELIA	EWIS	Director, Education, Workforce and Income Security	ES				
2	AF-AMER	FEMALE	JARMON	GLORIA	CR	Managing Director, Congressional Relations	ES	$25,000	$500		
3	AF-AMER	FEMALE	WILLIAMS BRIDGERS	JACQUELYN	IAT	Managing Director, International Affairs and Trade	ES	$15,000			
4	AF-AMER	MALE	DILLINGHAM	GERALD	PI	Director, Physical Infrastructure	ES	$10,000			
5	AF-AMER	MALE	HOSKINS	JESSE	CAO-HCO	Chief Human Capital Officer	ES	$13,500			
6	AF-AMER	MALE	JONES	PAUL	HSJ	Director, Homeland Security and Justice	ES				
7	AF-AMER	MALE	NELSON	BENJAMIN	QCI	Managing Director, Goal 1	ES	$10,000	$1,000		
8	AF-AMER	MALE	SMITH	ELLIOTT	FO (Dallas)	Regional Director, Central Region	ES				
9	AF-AMER	MALE	STEWART	DEREK	DCM	Director, Defense Capabilities and Management	ES	$10,000			
10	AF-AMER	MALE	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$15,000			
11	AF-AMER	MALE	WILLIAMS	MCCOY	FMA	Director, Financial Management and Assurance	ES	$10,000			
12	ASIAN	FEMALE	HSING	HELEN	SPEL	Managing Director, Strategic Planning and External Liaison	ES	$15,000	$700		
13	ASIAN	FEMALE	MITTAL	ANU	NRE	Director, Natural Resources and Environment	ES				
14	ASIAN	MALE	BARKAKATI	NABAJYOTI	ARM	Senior Level Technologist	SL	$5,000			
15	ASIAN	MALE	LI	ALLEN	ASM	Director, Acquisition and Sourcing Management	ES	$12,500			
16	ASIAN	MALE	NELLIGAN	JEFFREY	PA	Managing Director, Public Affairs (separated 10/15/04)	ES				
17	ASIAN	MALE	PANWAR	MADHAV	ARM	Senior Level Technologist	SL	$5,000			
18	ASIAN	MALE	SOLIS	WILLIAM	DCM	Director, Defense Capabilities and Management	ES		$750		
19	ASIAN	MALE	TRAN	HAI	ARM	Senior Level Technologist	SL	$5,000			
20	ASIAN	MALE	YIM	RANDALL	HSJ	Director, National Preparedness, Homeland Security and Justice (separated 10/02/04)	ES				
21	HISPANIC	FEMALE	GARCIA	FRANCES	IG	Inspector General	ES				
22	HISPANIC	MALE	GAMBOA (see Note 3)	ANTHONY	OGC	Executive Committee - General Counsel	ES	$20,000		$3,348.96	
23	HISPANIC	MALE	GUERRERO	PETER	PI	Director, Physical Infrastructure	ES				
24	HISPANIC	MALE	RODRIGUES	LOUIS	FO (Atlanta)	Special Advisor/Regional Director, Eastern Region (retired 10/01/04)	ES		$115.15		
25	WHITE	FEMALE	ALLEN	KATHRYN	HC	Director, Health Care	ES		$5,000		
26	WHITE	FEMALE	ARONOVITZ	LESLIE	HC	Director, Health Care	ES	$12,500			
27	WHITE	FEMALE	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$12,500			
28	WHITE	FEMALE	BERRICK	CATHLEEN	HSJ	Director, Homeland Security and Justice	ES		$2,000		
29	WHITE	FEMALE	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$10,000			
30	WHITE	FEMALE	CALBOM	LINDA	FMA	Director, Financial Management and Assurance	ES	$10,000			
31	WHITE	FEMALE	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$10,000			
32	WHITE	FEMALE	CROSSE	MARCIA	HC	Director, Health Care	ES	$10,000	$350		

CY 2004
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2004)
Sorted by Race and Gender

								Other Cash Compensation			
	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
33	WHITE	FEMALE	DAGOSTINO	DAVI	DCM	Director, Defense Capabilities and Management (reassigned 10/31/04 - formerly Director, Financial Markets and Community Investment)	ES				
34	WHITE	FEMALE	DALTON	PATRICIA	PI	Managing Director, Physical Infrastructure (reassigned 12/26/04 - formerly Director, Strategic Issues)	ES	$12,500			
35	WHITE	FEMALE	DUMMIT	LAURA	HC	Director, Health Care	ES				
36	WHITE	FEMALE	EKSTRAND	LAURIE	HSJ	Director, Homeland Security and Justice	ES	$12,500			
37	WHITE	FEMALE	FAGNONI	CYNTHIA	EWIS	Managing Director, Education, Workforce and Income Security	ES	$15,000			
38	WHITE	FEMALE	FRANZEL	JEANETTE	FMA	Director, Financial Management and Assurance	ES	$12,500	$450		
39	WHITE	FEMALE	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$10,000	$200		
40	WHITE	FEMALE	GREWE	BARBARA	OGC	Associate General Counsel	ES	$5,000			
41	WHITE	FEMALE	HARPER (See Note 3)	SALLYANNE	CAO	Executive Committee - Chief Administrative Officer/Chief Financial Officer	ES	$25,000		$3,348.96	
42	WHITE	FEMALE	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES	$10,000			
43	WHITE	FEMALE	HECKMANN	CYNTHIA	CAO-ISTS	Deputy Chief Information Officer	ES		$1,500		
44	WHITE	FEMALE	HEINRICH	JANET	HC	Director, Health Care	ES				
45	WHITE	FEMALE	HEIVILIN	DONNA	ARM	Director, Applied Research and Methods (retired 04/30/04)	ES				
46	WHITE	FEMALE	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Services	ES	$10,000	$1,000		
47	WHITE	FEMALE	HUNTER	DENISE	FO (Boston)	Regional Director, Eastern Region (CG Career appointment 09/05/04)	ES				
48	WHITE	FEMALE	IRVING	SUSAN	SI	Director, Strategic Issues	ES	$10,000			
49	WHITE	FEMALE	JAGGAR	SARAH	CAO-HCO	Managing Director, Human Capital Office	ES				
50	WHITE	FEMALE	KANOF	MARJORIE	HC	Managing Director, Health Care (reassigned 02/29/04 - formerly Director, Health Care)	ES	$15,000		$28,881.28	
51	WHITE	FEMALE	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$15,000			
52	WHITE	FEMALE	KLADIVA	SUSAN	CG	Special Assistant to the Comptroller General for Performance Systems (Limited Term SES appointment 07/13/03 of reemployed annuitant under Knowledge Transfer program - separated 05/27/06)	ES				
53	WHITE	FEMALE	KOONTZ	LINDA	IT	Director, Information Technology	ES	$10,000	$500		
54	WHITE	FEMALE	MAY	STEPHANIE	OGC	Managing Associate General Counsel, Goal 2	ES				
55	WHITE	FEMALE	NAZZARO	ROBIN	NRE	Director, Natural Resources and Environment	ES	$10,000			
56	WHITE	FEMALE	PICKUP	SHARON	DCM	Director, Defense Capabilities and Management	ES		$750		
57	WHITE	FEMALE	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$13,500			
58	WHITE	FEMALE	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$10,000			

CY 2004
(includes all SES/SL on board sometime during the calendar year Jan 1 - Dec 31, 2004)
Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
59	WHITE	FEMALE	SCHINASI	KATHERINE	ASM	Managing Director, Acquisition and Sourcing Management	ES	$15,000			
60	WHITE	FEMALE	SHAH	DAYNA	OGC	Associate General Counsel, Goal 1	ES				
61	WHITE	FEMALE	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security	ES	$10,000			
62	WHITE	FEMALE	SIGGERUD	KATHERINE	PI	Director, Physical Infrastructure	ES		$1,750		
63	WHITE	FEMALE	ST LAURENT	JANET	DCM	Director, Defense Capabilities and Management	ES				
64	WHITE	FEMALE	STEINHARDT	BERNICE	SI	Director, Strategic Issues (reassigned 12/26/04 - formerly Director, Strategic Planning and External Liaison)	ES	$5,000			
65	WHITE	FEMALE	TETI	CATHERINE	CAO-KS	Managing Director, Knowledge Services	ES	$12,500			
66	WHITE	FEMALE	THOMPSON	SALLY	FMA	Director, Financial Management and Assurance	ES				
67	WHITE	FEMALE	WANNISKY	KATHLEEN	OGC	Managing Associate General Counsel - Mission and Operations	ES				
68	WHITE	FEMALE	WESTIN	SUSAN	IAT	U.S. Representative to NATO (reassigned 01/04/04 - formerly Managing Director, International Affairs and Trade)	ES				
69	WHITE	FEMALE	WILLETT	CAROL	CAO-HCO	Chief Learning Officer	ES		$153.03		
70	WHITE	FEMALE	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region	ES	$12,500			
71	WHITE	MALE	ANDERSON JR	JOHN	FO	Managing Director, Field Operations	ES				
72	WHITE	MALE	APPLEBAUM	JOSEPH	ARM	Chief Actuary	SL	$5,000			
73	WHITE	MALE	BACKHUS	STEPHEN	QCI	Director, Quality and Continuous Improvement	ES	$10,000	$200		
74	WHITE	MALE	BELLIS	DAVID	EWIS	Director, Education, Workforce and Income Security	ES		$750		
75	WHITE	MALE	BOWLING	TIMOTHY	QCI	Managing Director, Quality and Continuous Improvement/Chief Quality Officer	ES	$13,500			
76	WHITE	MALE	BROCK JR (See Note 4)	JACK	CG	Special Assistant to the Comptroller General (reassigned 02/29/04 - formerly Managing Director, Acquisition and Sourcing Management; retired 08/03/04)	ES			$3,189.49	
77	WHITE	MALE	BROSTEK	MICHAEL	SI	Director, Strategic Issues	ES				
78	WHITE	MALE	BROWN	RICHARD	CR	Special Assistant (Limited Term SES appointment 09/21/03 of reemployed annuitant under Knowledge Transfer progam - separated 09/17/05)	ES				
79	WHITE	MALE	CALDER	PHILIP	ARM	Chief Accountant (retired 07/31/04)	SL				
80	WHITE	MALE	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$10,000			
81	WHITE	MALE	CICCO JR	ANTHONY	CAO-ISTS	Deputy Chief Administrative Officer/Chief Information Officer	ES	$20,000			
82	WHITE	MALE	CLARK JR	DAVID	FMA	Director, Financial Management and Assurance	ES				
83	WHITE	MALE	COOPER	DAVID	ASM	Director, Acquisition and Sourcing Management	ES	$12,500			
84	WHITE	MALE	CRAMER	ROBERT	OSI	Managing Director, Office of Special Investigations	ES			$13,128.76	

CY 2004
(includes all SES/SL on board sometime
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Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation			
								Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
85	WHITE	MALE	CURTIN	NEAL	DCM	Director, Defense Capabilities and Management (retired 11/03/04)	ES				
86	WHITE	MALE	CZERWINSKI	STANLEY	CAO-CASO	Controller	ES				
87	WHITE	MALE	DACEY (See Note 3)	ROBERT	ARM	Chief Accountant (reassigned 07/25/04 - formerly Director, Information Technology)	ES	$5,000		$3,348.96	
88	WHITE	MALE	DECKER	RAYMOND	DCM	Director, Defense Capabilities and Management (separated 07/17/04)	ES				
89	WHITE	MALE	DODARO (See Note 3)	GENE	COO	Executive Committee - Chief Operating Officer	ES	$29,120		$3,348.96	
90	WHITE	MALE	DYCKMAN	LAWRENCE	NRE	Director, Natural Resources and Environment (retired 12/31/04)	ES				
91	WHITE	MALE	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$10,000			
92	WHITE	MALE	FARROW	R SCOTT	ARM	Chief Economist	SL	$10,000			
93	WHITE	MALE	FORD	JESS	IAT	Director, International Affairs and Trade	ES				
94	WHITE	MALE	FRANCIS	PAUL	ASM	Director, Acquisition and Sourcing Management	ES	$10,000			
95	WHITE	MALE	GEBICKE	MARK	CAO-PDP	Managing Director, Professional Development Program	ES				
96	WHITE	MALE	GOLDSTEIN	MARK	PI	Director, Physical Infrastructure	ES				
97	WHITE	MALE	GOOTNICK	DAVID	IAT	Director, International Affairs and Trade	ES				
98	WHITE	MALE	GORDON	DANIEL	OGC	Managing Associate General Counsel, Procurement Law	ES	$13,500			
99	WHITE	MALE	GRYSZKOWIEC	MICHAEL	PI	Managing Director, Physical Infrastructure (retired 12/31/04)	ES				
100	WHITE	MALE	HAGENSTAD	M THOMAS	OGC	Associate General Counsel (retired 01/30/04)	ES				
101	WHITE	MALE	HILL	BARRY	NRE	Director, Natural Resources and Environment (retired 12/31/04)	ES				
102	WHITE	MALE	HILLMAN	RICHARD	FMCI	Director, Financial Markets and Community Investment	ES	$10,000			
103	WHITE	MALE	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$20,000			
104	WHITE	MALE	HITE	RANDOLPH	IT	Director, Information Technology	ES	$10,000	$150		
105	WHITE	MALE	HOENIG	CHRISTOPHER	SI	Director, Strategic Issues	ES	$10,000			
106	WHITE	MALE	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management	ES	$12,500			
107	WHITE	MALE	JENKINS JR	WILLIAM	HSJ	Director, Homeland Security and Justice	ES				
108	WHITE	MALE	KEPPLINGER	GARY	OGC	Deputy General Counsel	ES	$15,000	$500		
109	WHITE	MALE	KUTZ	GREGORY	FMA	Director, Financial Management and Assurance	ES	$12,500	$750		
110	WHITE	MALE	LEVIN	ROBERT	ASM	Director, Acquisition and Sourcing Management	ES				
111	WHITE	MALE	MALFI	RONALD	OGC	Director for Special Projects, Strategic Planning and External Liaison (reassigned 12/03/04- formerly Director Office of Special Investigations)	ES			$11,804.38	
112	WHITE	MALE	MARTIN	JOHN	ARM	Senior Level Technologist	SL	$10,000	$1,800		

CY 2004
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	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation: Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
113	WHITE	MALE	MCCOOL	THOMAS	FMCI	Managing Director, Financial Markets and Community Investment	ES	$15,000			
114	WHITE	MALE	MIHM	J CHRISTOPHER	SI	Managing Director, Strategic Issues (reassigned 02/01/04 - formerly Director, Strategic Issues)	ES	$15,000			
115	WHITE	MALE	MOTLEY	MICHAEL	QCI	Director of Continuous Improvement	ES		$1,500		
116	WHITE	MALE	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES				
117	WHITE	MALE	PARKER	ROBERT	ARM	Chief Statistician	SL	$10,000			
118	WHITE	MALE	POSNER	PAUL	SI	Director, Strategic Issues	ES	$12,000			
119	WHITE	MALE	POWNER	DAVID	IT	Director, Information Technology	ES	$10,000	$1,000		
120	WHITE	MALE	RABKIN	NORMAN	HSJ	Director, Homeland Security and Justice	ES	$10,000	$69.88		
121	WHITE	MALE	REZENDES	VICTOR	SI	Managing Director, Strategic Issues (retired 02/02/04)	ES				
122	WHITE	MALE	RHODES	KEITH	ARM	Chief Technologist and Director, Center for Technology and Engineering	ES	$13,500			
123	WHITE	MALE	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security	ES				
124	WHITE	MALE	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$20,000			
125	WHITE	MALE	SCANLON (See Note 5)	WILLIAM	HC	Managing Director, Health Care (retired 03/31/04)	ES			$4,160.80	
126	WHITE	MALE	SEBASTIAN	STEVEN	FMA	Director, Financial Management and Assurance	ES				
127	WHITE	MALE	SELTSER	BARRY	ARM	Director, Applied Research and Methods	ES		$100		
128	WHITE	MALE	SHEAR	WILLIAM	FMCI	Director, Financial Markets and Community Investment	ES				
129	WHITE	MALE	SILL	GEORGE	CAO	Special Assistant	ES				
130	WHITE	MALE	STALCUP	GEORGE	SI	Director, Strategic Issues	ES				
131	WHITE	MALE	STANA	RICHARD	HSJ	Director, Homeland Security and Justice	ES	$10,000			
132	WHITE	MALE	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$15,000			
133	WHITE	MALE	STEINWALD	ALAN	HC	Director, Health Care	ES				
134	WHITE	MALE	STEPHENSON	JOHN	NRE	Director, Natural Resources and Environment	ES				
135	WHITE	MALE	UNGAR	BERNARD	CR	Special Assistant (Limited Term SES appointment 02/08/04 of reemployed annuitant under Knowledge Transfer program - separated 02/03/07)	ES				
					PI	Director, Physical Infrastructure (retired 01/02/04)	ES				
136	WHITE	MALE	WARREN	DAVID	CAO	Special Assistant for Staffing Engagements (Limited Term SES appointment 02/08/04 of reemployed annuitant under Knowledge Transfer program - separated 10/08/04)	ES				
137	WHITE	MALE	WELLS JR	JAMES	NRE	Director, Natural Resources and Environment	ES				
138	WHITE	MALE	WHITE	JAMES	SI	Director, Strategic Issues	ES				
139	WHITE	MALE	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$20,000	$1,000		

CY 2004
(includes all SES/SL on board sometime
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	Race	Gender	Last Name	First Name	Team/Unit	Current Title	Pay Plan	Other Cash Compensation			
								Bonus For FY 04 Performance (10/01/03 - 9/30/04) Paid in CY 05	Other Awards Paid in CY 04 (See Note 1)	Retention Incentive Paid in CY 04 (See Note 2)	Recruitment Incentive Paid in CY 04
140	WHITE	MALE	WOOD	DAVID	FMCI	Director, Financial Markets and Community Investment	ES				
141	WHITE	MALE	WOODS	WILLIAM	ASM	Director, Acquisition and Sourcing Management	ES				
142	WHITE	MALE	WRAY	HENRY	OGC	Special Assistant to Associate General Counsel - Goal 3 (Limited Term SES appointment 01/07/04 of reemployed annuitant - separated 07/09/04)	ES				
143	WHITE	MALE	YAGER	LOREN	IAT	Director, International Affairs and Trade	ES				
							Totals	$886,120	$24,538.06	$74,560.55	$0

Notes:

1 - Column labeled "Other Awards Paid in CY 04" includes the total amounts of other awards processed during the calendar year for which SES/SL employees are eligible. SES/SL employees may receive monetary recognition for Results Through Teamwork awards or to recognize a suggestion, superior accomplishment, extra effort, productivity gain, special act or service in the public interest in connection with official employment, or other personal effort that contributes to the economy, efficiency or other improvement in government operations. Any awards received prior to appointment to the SES/SL are not included.

2 - Column labeled "Retention Incentive Paid in CY 04" contains calendar year payments for pay periods nos. 1 - 26.

3 - DACEY, DODARO, GAMBOA and HARPER - These retention incentives were effective pay period no. 15 in CY 04. The amount shown in column labeled "Retention Incentive Paid in CY 04" is the amount paid for in pay period nos. 15 through 26 in CY 04 (i.e., 07/25/04 - 01/08/05).

4 - BROCK -The amount showin in column labeled "Retention Incentive Paid in CY 04" is the amount paid for in pay period nos. 10 through 15 in CY 04 (i.e., 05/16/04 - 08/07/04) and terminated with the employee's retirement on 08/03/04.

5 - SCANLON - The amount shown in column labeled "Retention Incentive Paid in CY 04" is the amount paid for pay period nos. 1 through 6 in CY 04 (i.e., 01/11/04 - 04/03/04) and terminated with the employee's retirement on 03/31/04.

Additonal Notes:
Total number of SES/SL employees (on-board at any time during CY 2004) = 143
Total Number of SES/SL employees eligible for bonuses (i.e., those who received a rating and were on board at the end of the performance appraisal cycle on 9/30/04) = 124
Total Number of SES/SL employees who received bonuses = 72
Average SES/SL bonus = $12,307
Percentage of SES/SL employees who received bonuses = 58.06%

The following positions are equivalent to a Managing Director:
Chief Human Capital Officer
Chief Information Officer
Controller
Executive Director, Federal Accounting Standards and Advisory Board
Inspector General

CY 2003
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2003)
Sorted Alphabetically
Bonuses Paid Out in CY 2003 Attached

						Other Cash Compensation			
	Last Name	First Name	Unit	Position Title	Pay Plan	Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
1	ALLEN	KATHRYN	HC	Director, Health Care	ES	$11,000			
2	ANDERSON JR	JOHN	FO	Managing Director, Field Operations (reassigned 01/26/03 - formerly Managing Director, Physical Infrastructure)	ES	$10,000			
3	APPLEBAUM	JOSEPH	ARM	Chief Actuary (Career SL appointment 06/01/03)	SL		$500		
4	ARONOVITZ	LESLIE	HC	Director, Health Care	ES		$1,000		
5	ASHBY	CORNELIA	EWIS	Director, Education, Workforce and Income Security	ES				
6	BACKHUS	STEPHEN	QCI	Director, Goals 2 and 3	ES				
7	BARKAKATI	NABAJYOTI	ARM	Senior Level Technologist	SL	$8,000			
8	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$12,000			
9	BELLIS	DAVID	EWIS	Director, Education, Workforce and Income Security (Career SES appointment 10/05/03 - Class 15)	ES				
10	BERRICK	CATHLEEN	HSJ	Director, Homeland Security and Justice (Career SES appointment 10/05/03 - Class 15)	ES				
11	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$11,000	$500		
12	BOWLING	TIMOTHY	QCI	Managing Director, Quality and Continuous Improvement/Chief Quality Officer (reassigned 01/26/03 - formerly Managing Director, Quality and Risk Management)	ES	$15,000	$1,000		
13	BREW	THOMAS	FO	Managing Director, Field Operations (retired 07/03/03)	ES				
14	BROCK JR	JACK	ASM	Managing Director, Acquisition and Sourcing Management	ES	$25,000			
15	BROSTEK	MICHAEL	SI	Director, Strategic Issues	ES		$500		
16	BROWN	RICHARD	CMSO	Deputy Chief Mission Support Officer (retired 01/03/03)	ES				
			CR	Special Assistant, Congressional Relations (Limited Term SES appointment 09/21/03 of reemployed annuitant under Knowledge Transfer progam - separated 09/17/05)	ES				
17	CALBOM	LINDA	FMA	Director, Financial Management and Assurance	ES	$8,000	$500		
18	CALDER	PHILIP	ARM	Chief Accountant	SL				
19	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$8,000	$1,200		
20	CICCO JR	ANTHONY	CMSO-ISTS	Chief Information Officer	ES	$18,000	$1,000		
21	CLARK JR	DAVID	FMA	Director, Financial Management and Assurance	ES				
22	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$8,000			
23	COOPER	DAVID	ASM	Director, Acquisition and Sourcing Management	ES	$8,000	$1,000		
24	CRAMER	ROBERT	OSI	Managing Director, Office of Special Investigations	ES		$500	$13,932.62	
25	CROSSE	MARCIA	HC	Director, Health Care (Career appointment 10/05/03 - Class 15)	ES				
26	CURTIN	NEAL	DCM	Director, Defense Capabilities and Management	ES	$12,000			
27	CZERWINSKI	STANLEY	CMSO-CASO	Controller	ES				
28	DACEY	ROBERT	IT	Director, Information Technology	ES		$1,000		
29	DAGOSTINO	DAVI	FMCI	Director, Financial Markets and Community Investment	ES		$850		
30	DALTON	PATRICIA	SI	Director, Strategic Issues	ES	$12,000			
31	DECKER	RAYMOND	DCM	Director, Defense Capabilities and Management	ES				

CY 2003
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Sorted Alphabetically
Bonuses Paid Out in CY 2003 Attached

						Other Cash Compensation			
	Last Name	First Name	Unit	Position Title	Pay Plan	Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
32	DILLINGHAM	GERALD	PI	Director, Physical Infrastructure	ES		$4,000		
33	DODARO	GENE	COO	Executive Committee - Chief Operating Officer	ES	$26,800			
34	DUMMIT	LAURA	HC	Director, Health Care	ES				
35	DYCKMAN	LAWRENCE	NRE	Director, Natural Resources and Environment	ES				
36	EKSTRAND	LAURIE	HSJ	Director, Homeland Security and Justice	ES	$13,000			
37	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$8,000	$500		
38	FAGNONI	CYNTHIA	EWIS	Managing Director, Education, Workforce and Income Security	ES	$17,000			
39	FARROW	R SCOTT	ARM	Chief Economist	SL		$1,250		
40	FORD	JESS	IAT	Director, International Affairs and Trade	ES				
41	FRANCIS	PAUL	ASM	Director, Acquisition and Sourcing Management	ES		$1,000		
42	FRANZEL	JEANETTE	FMA	Director, Financial Management and Assurance	ES	$13,000	$1,000		
43	FULTZ	KEITH	PPI	Managing Director, Product and Process Improvement (retired 01/03/03)	ES				
44	GAMBOA	ANTHONY	OGC	Executive Committee - General Counsel	ES	$17,000			
45	GARCIA	FRANCES	IG	Inspector General	ES				
46	GEBICKE	MARK	CMSO-PDP	Managing Director, Professional Development Program	ES	$15,000			
47	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$10,000			
48	GOLDSTEIN	MARK	PI	Director, Physical Infrastructure (Career SES appointment 10/05/03 - Class 15)	ES				
49	GOOTNICK	DAVID	IAT	Director, International Affairs and Trade	ES				
50	GORDON	DANIEL	OGC	Managing Associate General Counsel, Procurement Law	ES	$12,000			
51	GREWE	BARBARA	OGC	Associate General Counsel	ES				$6,780
52	GRYSZKOWIEC	MICHAEL	PI	Managing Director, Physical Infrastructure (reassigned 01/26/03 - formerly Managing Director, Quality and Risk Management/Chief Quality Officer)	ES	$17,000			
53	GUERRERO	PETER	PI	Director, Physical Infrastructure	ES				
54	HAGENSTAD	M THOMAS	OGC	Associate General Counsel	ES				
55	HARPER	SALLYANNE	CMSO	Executive Committee - Chief Mission Support Officer	ES	$25,000			
56	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES				
57	HECKMANN	CYNTHIA	CMSO-ISTS	Deputy Chief Information Officer (CG Career appointment 04/6/03)	ES				
58	HEINRICH	JANET	HC	Director, Health Care	ES	$12,000			
59	HEIVILIN	DONNA	ARM	Director, Applied Research and Methods	ES				
60	HILL	BARRY	NRE	Director, Natural Resources and Environment	ES	$8,000	$750		
61	HILLMAN	RICHARD	FMCI	Director, Financial Markets and Community Investment	ES	$11,000			
62	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$20,000			
63	HITE (See Note 3)	RANDOLPH	IT	Director, Information Technology	ES	$8,000	$1,000	$340.76	
64	HOENIG	CHRISTOPHER	SI	Director, Strategic Issues	ES	$8,000			
65	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Services	ES	$10,000			
66	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management	ES	$11,000			
67	HOSKINS	JESSE	CMSO-HCO	Chief Human Capital Officer	ES	$10,000			

CY 2003
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	Last Name	First Name	Unit	Position Title	Pay Plan	Other Cash Compensation: Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
68	HSING	HELEN	SPEL	Managing Director, Strategic Planning and External Liaison (reassigned 11/30/03 - formerly Director of Special Projects)	ES	$12,000			
69	IRVING	SUSAN	SI	Director, Strategic Issues	ES	$8,000	$150		
70	JAGGAR	SARAH	CMSO-HCO	Managing Director, Human Capital Office	ES	$20,000	$500		
71	JARMON	GLORIA	CR	Managing Director, Congressional Relations	ES	$20,000			
72	JENKINS JR	WILLIAM	HSJ	Director, Homeland Security and Justice	ES		$250		
73	JONES	GARY	NRE	Director, Natural Resources and Environment (retired 03/01/03)	ES				
74	JONES	PAUL	HSJ	Director, Homeland Security and Justice	ES				
75	KANOF	MARJORIE	HC	Director, Health Care	ES	$3,000		$25,889.52	
76	KEPPLINGER	GARY	OGC	Deputy General Counsel	ES	$16,000			
77	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$16,000			
78	KLADIVA	SUSAN	CMSO-HCO	Managing Director, Human Capital Office (retired 07/12/03)	ES				
			CG	Special Assistant to the Comptroller General for Performance Systems (Limited Term SES appointment 07/13/03 of reemployed annuitant under Knowledge Transfer program - separated 05/27/06)	ES				
79	KOONTZ	LINDA	IT	Director, Information Technology	ES	$7,000	$500		
80	KUTZ	GREGORY	FMA	Director, Financial Management and Assurance	ES	$12,000	$1,000		
81	LEVIN	ROBERT	ASM	Director, Acquisition and Sourcing Management	ES				
82	LI	ALLEN	ASM	Director, Acquisition and Sourcing Management	ES	$11,000	$500		
83	MALFI	RONALD	OSI	Director, Office of Special Investigations	ES			$12,771.72	
84	MARTIN	JOHN	ARM	Senior Level Technologist	SL	$8,000	$500		
85	MAY	STEPHANIE	OGC	Managing Associate General Counsel, Goal 2	ES				
86	MCCOOL	THOMAS	FMCI	Managing Director, Financial Markets and Community Investment	ES	$17,000			
87	MCDONALD	GREGORY	CMSO	Acting Managing Director, Customer Relations (retired 05/30/03)	ES				
88	MIHM	J CHRISTOPHER	SI	Director, Strategic Issues	ES	$16,000	$500		
89	MITTAL	ANU	NRE	Director, Natural Resources and Environment (Career SES appointment 10/05/03 - Class 15)	ES				
90	MOTLEY	MICHAEL	QCI	Director of Continuous Improvement (Reassigned 01/26/03 - formerly Director, Product and Process Improvement)	ES				
91	NAZZARO	ROBIN	NRE	Director, Natural Resources and Environment	ES				
92	NELLIGAN	JEFFREY	PA	Managing Director, Public Affairs	ES		$1,000		
93	NELSON	BENJAMIN	QCI	Managing Director, Goal 1	ES		$4,000		
94	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES				
95	PANWAR	MADHAV	ARM	Senior Level Technologist	SL	$8,000			
96	PARKER	ROBERT	ARM	Chief Statistician	ES				
97	PICKUP	SHARON	DCM	Director, Defense Capabilities and Management	ES				
98	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$10,000			

CY 2003
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2003)
Sorted Alphabetically
Bonuses Paid Out in CY 2003 Attached

	Last Name	First Name	Unit	Position Title	Pay Plan	Other Cash Compensation			
						Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
99	POSNER	PAUL	SI	Director, Strategic Issues	ES	$12,000			
100	POWNER	DAVID	IT	Director, Information Technology (Career SES appointment 10/05/03 - Class 15)	ES				
101	RABKIN	NORMAN	HSJ	Managing Director, Homeland Security and Justice	ES	$12,000			
102	REZENDES	VICTOR	SI	Managing Director, Strategic Issues	ES				
103	RHODES	KEITH	ARM	Chief Technologist and Director, Center for Technology and Engineering	ES	$15,000	$1,000		
104	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security	ES				
105	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$20,000			
106	RODRIGUES	LOUIS	FO (Atlanta)	Regional Director, Eastern Region	ES	$8,000			
107	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$11,000			
108	SCANLON	WILLIAM	HC	Managing Director, Health Care	ES	$10,000		$16,540.57	
109	SCHINASI	KATHERINE	ASM	Director, Acquisition and Sourcing Management	ES	$13,000			
110	SEBASTIAN	STEVEN	FMA	Director, Financial Management and Assurance	ES		$500		
111	SELTSER	BARRY	ARM	Director, Applied Research and Methods (Career SES appointment 10/05/03 - Class 15)	ES		$350		
112	SHAH	DAYNA	OGC	Associate General Counsel, Goal 1	ES				
113	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security	ES		$250		
114	SHEAR	WILLIAM	FMCI	Director, Financial Markets and Community Investment (Career SES appointment 10/05/03 - Class 15)	ES				
115	SIGGERUD	KATE	PI	Director, Physical Infrastructure (Career SES appointment 10/05/03 - Class 15)	ES				
116	SILL	GEORGE	CMSO	Special Assistant	ES				
117	SMITH	ELLIOTT	FO (Dallas)	Regional Director, Central Region	ES	$9,000			
118	SOLIS	WILLIAM	DCM	Director, Defense Capabilities and Management	ES				
119	ST LAURENT	JANET	DCM	Director, Defense Capabilities and Management (Career SES appointment 10/05/03 - Class 15)	ES				
120	STALCUP	GEORGE	SI	Director, Strategic Issues	ES		$1,000		
121	STANA	RICHARD	HSJ	Director, Homeland Security and Justice	ES	$12,000	$1,000		
122	STEINHARDT	BERNICE	SPEL	Director, Strategic Planning and External Liaison	ES	$5,000			
123	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$20,000			
124	STEINWALD	ALAN	HC	Director, Health Care	ES				
125	STEPHENSON	JOHN	NRE	Director, Natural Resources and Environment	ES				
126	STEWART	DEREK	DCM	Director, Defense Capabilities and Management	ES		$500		
127	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$15,000			
128	TETI	CATHERINE	CMSO-KS	Managing Director, Knowledge Services	ES	$10,000	$1,000		
129	THOMPSON	SALLY	FMA	Director, Financial Management and Assurance	ES				
130	TRAN	HAI	ARM	Senior Level Technologist	SL				
131	UNGAR	BERNARD	PI	Director, Physical Infrastructure	ES			$10,262.46	
132	WANNISKY	KATHLEEN	OGC	Managing Associate General Counsel, Mission and Operations	ES				
133	WELLS JR	JAMES	NRE	Director, Natural Resources and Environment	ES				
134	WESTIN	SUSAN	IAT	Managing Director, International Affairs and Trade	ES	$17,000			

CY 2003
(Includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2003)
Sorted Alphabetically
Bonuses Paid Out in CY 2003 Attached

						Other Cash Compensation			
	Last Name	First Name	Unit	Position Title	Pay Plan	Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
135	WHITE	JAMES	SI	Director, Strategic Issues	ES				
136	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$20,000			
137	WILLETT	CAROL	CMSO-HCO	Chief Learning Officer (SES Limited Term appointment 05/21/03)	ES				
138	WILLIAMS	MCCOY	FMA	Director, Financial Management and Assurance	ES				
139	WILLIAMS BRIDGERS	JACQUELYN	IAT	Managing Director, International Affairs and Trade (reassigned 11/30/03 - formerly Managing Director, Strategic Planning and External Liaison)	ES	$15,000			
140	WOOD	DAVID	FMCI	Director, Financial Markets and Community Investment	ES				
141	WOODS	WILLIAM	ASM	Director, Acquisition and Sourcing Management	ES				
142	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region	ES	$15,000			
143	YAGER	LOREN	IAT	Director, International Affairs and Trade	ES	$8,000			
144	YIM	RANDALL	HSJ	Director, National Preparedness, Homeland Security and Justice	ES	$11,000			
					Totals	$879,800	$33,550	$79,737.65	$6,780

Notes:

1 - Column labeled "Other Awards Paid in CY 03" includes the total amount of other awards processed during the calendar year for which SES/SL employees are eligible. SES/SL employees may receive monetary recognition for Results Through Teamwork awards or to recognize a suggestion, superior accomplishment, extra effort, productivity gain, special act or service in the public interest in connection with official employment, or other personal effort that contributes to the economy, efficiency or other improvement in government operations. Any awards received prior to appointment to the SES/SL are not included.

2 - Column labeled "Retention Incentive Paid in CY 03" contains calendar year payments for pay periods nos. 1 - 26.

3 - HITE - The amount shown in column labeled "Retention Incentive Paid in CY 03" is the amount paid for pay period nos. 3 through 9 in CY 03 (i.e., 02/09/03 - 05/17/03). The retention incentive was terminated effective pay period no. 10 (i.e., 05/18/03 - 05/31/03).

Additonal Notes:

Total number of SES/SL employees (on board any time during CY 2003) = 144
Total number of SES/SL employees eligible for bonuses (i.e., those who received a rating and were on board at the end of the performance appraisal cycle on 9/30/03) = 125
Total number of SES/SL employees who received bonuses = 69
Average SES/SL bonus = $12,751
Percentage of SES/SL employees who received bonuses = 55.20%

The following positions are equivalent to a Managing Director:
Chief Human Capital Officer
Chief Information Officer
Controller
Executive Director, Federal Accounting Standards and Advisory Board
Inspector General

B nuses Paid in CY 2003 For FY 2002 Performanc
All SES/SL Who Received Bonuses

	Last Name	First Name	Team/Unit	Positi n Titl	Pay Plan	Bonus
1	ALLEN	KATHRYN	HC	Director, Health Care	ES	$10,000
2	BARKAKATI	NABAJYOTI	ARM	SL Technologist, Applied Research and Methods	SL	$12,500
3	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$11,000
4	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$15,000
5	BOWLING	TIMOTHY	QRM	Managing Director, Quality and Risk Management	ES	$12,500
6	BREW	THOMAS	FO	Managing Director, Field Operations (retired 07/03/03)	ES	$15,000
7	BROCK JR	JACK	ASM	Managing Director, Acquisition and Sourcing Management	ES	$15,000
8	BROWN	RICHARD	CMSO	Deputy Chief Mission Support Officer (retired 01/03/03)	ES	$12,500
9	CALBOM	LINDA	FMA	Director, Financial Management and Assurance	ES	$15,000
10	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$5,000
11	CICCO JR	ANTHONY	CMSO-ISTS	Deputy Chief Administrative Officer-Chief Information Officer	ES	$25,000
12	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$5,000
13	CURTIN	NEAL	DCM	Director, Defense Capabilities and Management	ES	$7,500
14	CZERWINSKI	STANLEY	CMSO-CAS(	Controller/Administrative Services Office	ES	$7,500
15	DACEY	ROBERT	IT	Director, Information Technology	ES	$7,500
16	DALTON	PATRICIA	SI	Director, Strategic Issues	ES	$10,000
17	DODARO	GENE	COO	Executive Committee - Chief Operating Officer	ES	$29,400
18	DUMMIT	LAURA	HC	Director, Health Care	ES	$10,000
19	EKSTRAND	LAURIE	HSJ	Director, Homeland Security and Justice	ES	$13,500
20	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$12,500
21	FAGNONI	CYNTHIA	EWIS	Managing Director, Education, Workforce and Income Security	ES	$15,000
22	FORD	JESS	IAT	Director, International Affairs and Trade	ES	$5,000
23	FULTZ	KEITH	PPI	Managing Director, Product and Process Improvement (retired 01/03/03)	ES	$5,000
24	GAMBOA	ANTHONY	OGC	Executive Committee - General Counsel	ES	$12,500
25	GEBICKE	MARK	CMSO-PDP	Managing Director-Professional Development Program	ES	$15,000
26	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$10,000
27	GORDON	DANIEL	OGC	Managing Associate General Counsel, Procurement Law	ES	$12,500
28	GRYSZKOWIEC	MICHAEL	QRM	Managing Director, Quality and Risk Management	ES	$20,000
29	HARPER	SALLYANNE	CMSO-CFO	Executive Committee - Chief Mission Support Officer	ES	$25,000
30	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES	$13,500
31	HEINRICH	JANET	HC	Director, Health Care	ES	$13,500
32	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$20,000
33	HITE	RANDOLPH	IT	Director, Information Technology	ES	$7,500
34	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Svcs. & Ethics	ES	$10,000

Bonuses Paid in CY 2003 For FY 2002 Performance
All SES/SL Who Received Bonuses

35	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management	ES	$13,500
36	HSING	HELEN	CG	Director of Special Projects (RTD from LWOP - formerly Managing Director, Congressional Relations)	ES	$10,000
37	JAGGAR	SARAH	CMSO-HCO	Managing Director, Human Capital Office	ES	$7,500
38	JARMON	GLORIA	CR	Managing Director, Congressional Relations (Formerly Managing Director, External Liaison)	ES	$15,000
39	JONES	GARY	NRE	Director, Natural Resources and Environment (retired 03/01/03)	ES	$12,500
40	KEPPLINGER	GARY	OGC	Deputy General Counsel	ES	$15,000
41	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$25,000
42	KLADIVA	SUSAN	CMSO-HCO	Managing Director, Human Capital Office (retired 07/12/03)	ES	$15,000
43	KUTZ	GREGORY	FMA	Director, Financial Management and Assurance	ES	$15,000
44	MARTIN	JOHN	ARM	SL Technologist, Applied Research and Methods	SL	$12,500
45	MCCOOL	THOMAS	FMCI	Managing Director, Financial Markets and Community Investment	ES	$15,000
46	MIHM	J CHRISTOPHER	SI	Director, Strategic Issues	ES	$17,500
47	NELLIGAN	JEFFREY	PA	Managing Director, Public Affairs	ES	$7,500
48	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES	$13,500
49	PANWAR	MADHAV	ARM	SL Technologist, Applied Research and Methods	SL	$12,500
50	PARKER	ROBERT	ARM	Chief Statistician, Applied Research and Methods	SL	$5,000
51	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$12,500
52	POSNER	PAUL	SI	Director, Strategic Issues	ES	$15,000
53	RABKIN	NORMAN	HSJ	Managing Director, Homeland Security and Justice	ES	$7,500
54	RHODES	KEITH	ARM	Chief Technologist/ Director, Center for Technology and Engineering	ES	$17,500
55	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security	ES	$10,000
56	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$15,000
57	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$7,500
58	SCANLON	WILLIAM	HC	Managing Director, Health Care	ES	$10,000
59	SCHINASI	KATHERINE	ASM	Director, Acquisition and Sourcing Management	ES	$10,000
60	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security	ES	$10,000
61	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$15,000
62	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$12,500
63	UNGAR	BERNARD	PI	Director, Physical Infrastructure	ES	$13,500
64	WESTIN	SUSAN	IAT	Managing Director, International Affairs and Trade	ES	$20,000
65	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$20,000
66	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region	ES	$17,500
67	YIM	RANDALL	HSJ	Director, National Preparedness, Homeland Security and Justice	ES	$7,500
					Total	$868,900

Notes:
Average SES/SL bonus = $12,969
Percentage of SES/SL employees who received bonuses = 57.26%

CY 2003
(includes all SES/SL on board sometime during the calendar year Jan 1 - Dec 31, 2003)
Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Position Title	Pay Plan	Other Cash Compensation: Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
1	AF-AMER	FEMALE	ASHBY	CORNELIA	EWIS	Director, Education, Workforce and Income Security	ES				
2	AF-AMER	FEMALE	JARMON	GLORIA	CR	Managing Director, Congressional Relations	ES	$20,000			
3	AF-AMER	FEMALE	WILLIAMS BRIDGERS	JACQUELYN	IAT	Managing Director, International Affairs and Trade (reassigned 11/30/03 - formerly Managing Director, Strategic Planning and External Liaison)	ES	$15,000			
4	AF-AMER	MALE	DILLINGHAM	GERALD	PI	Director, Physical Infrastructure	ES		$4,000		
5	AF-AMER	MALE	HOSKINS	JESSE	CMSO-HCO	Chief Human Capital Officer	ES	$10,000			
6	AF-AMER	MALE	JONES	PAUL	HSJ	Director, Homeland Security and Justice	ES				
7	AF-AMER	MALE	NELSON	BENJAMIN	QCI	Managing Director, Goal 1	ES		$4,000		
8	AF-AMER	MALE	SMITH	ELLIOTT	FO (Dallas)	Regional Director, Central Region	ES	$9,000			
9	AF-AMER	MALE	STEWART	DEREK	DCM	Director, Defense Capabilities and Management	ES		$500		
10	AF-AMER	MALE	STROMAN	RONALD	OOI	Managing Director, Opportunity and Inclusiveness	ES	$15,000			
11	AF-AMER	MALE	WILLIAMS	MCCOY	FMA	Director, Financial Management and Assurance	ES				
12	ASIAN	FEMALE	HSING	HELEN	SPEL	Managing Director, Strategic Planning and External Liaison (reassigned 11/30/03 - formerly Director of Special Projects)	ES	$12,000			
13	ASIAN	FEMALE	MITTAL	ANU	NRE	Director, Natural Resources and Environment (Career SES appointment 10/05/03 - Class 15)	ES				
14	ASIAN	MALE	BARKAKATI	NABAJYOTI	ARM	Senior Level Technologist	SL	$8,000			
15	ASIAN	MALE	LI	ALLEN	ASM	Director, Acquisition and Sourcing Management	ES	$11,000	$500		
16	ASIAN	MALE	NELLIGAN	JEFFREY	PA	Managing Director, Public Affairs	ES		$1,000		
17	ASIAN	MALE	PANWAR	MADHAV	ARM	Senior Level Technologist	SL	$8,000			
18	ASIAN	MALE	SOLIS	WILLIAM	DCM	Director, Defense Capabilities and Management	ES				
19	ASIAN	MALE	TRAN	HAI	ARM	Senior Level Technologist	SL				
20	ASIAN	MALE	YIM	RANDALL	HSJ	Director, National Preparedness, Homeland Security and Justice	ES	$11,000			
21	HISPANIC	FEMALE	GARCIA	FRANCES	IG	Inspector General	ES				
22	HISPANIC	MALE	GAMBOA	ANTHONY	OGC	Executive Committee - General Counsel	ES	$17,000			
23	HISPANIC	MALE	GUERRERO	PETER	PI	Director, Physical Infrastructure	ES				
24	HISPANIC	MALE	RODRIGUES	LOUIS	FO (Atlanta)	Regional Director, Eastern Region	ES	$8,000			
25	WHITE	FEMALE	ALLEN	KATHRYN	HC	Director, Health Care	ES	$11,000			
26	WHITE	FEMALE	ARONOVITZ	LESLIE	HC	Director, Health Care	ES		$1,000		
27	WHITE	FEMALE	BASCETTA	CYNTHIA	HC	Director, Health Care	ES	$12,000			
28	WHITE	FEMALE	BERRICK	CATHLEEN	HSJ	Director, Homeland Security and Justice (Career SES appointment 10/05/03 - Class 15)	ES				
29	WHITE	FEMALE	BOVBJERG	BARBARA	EWIS	Director, Education, Workforce and Income Security	ES	$11,000	$500		
30	WHITE	FEMALE	CALBOM	LINDA	FMA	Director, Financial Management and Assurance	ES	$8,000	$500		

CY 2003
(includes all SES/SL on board sometime
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Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Position Title	Pay Plan	Other Cash Compensation: Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
31	WHITE	FEMALE	COMES	WENDOLYN	FASAB	Executive Director, Federal Accounting Standards Advisory Board	ES	$8,000			
32	WHITE	FEMALE	CROSSE	MARCIA	HC	Director, Health Care (Career appointment 10/05/03 - Class 15)	ES				
33	WHITE	FEMALE	DAGOSTINO	DAVI	FMCI	Director, Financial Markets and Community Investment	ES		$500		
34	WHITE	FEMALE	DALTON	PATRICIA	SI	Director, Strategic Issues	ES	$12,000			
35	WHITE	FEMALE	DUMMIT	LAURA	HC	Director, Health Care	ES				
36	WHITE	FEMALE	EKSTRAND	LAURIE	HSJ	Director, Homeland Security and Justice	ES	$13,000			
37	WHITE	FEMALE	FAGNONI	CYNTHIA	EWIS	Managing Director, Education, Workforce and Income Security	ES	$17,000			
38	WHITE	FEMALE	FRANZEL	JEANETTE	FMA	Director, Financial Management and Assurance	ES	$13,000	$1,000		
39	WHITE	FEMALE	GIBSON	LYNN	OGC	Managing Associate General Counsel, Goal 1	ES	$10,000			
40	WHITE	FEMALE	GREWE	BARBARA	OGC	Associate General Counsel	ES				$6,780
41	WHITE	FEMALE	HARPER	SALLYANNE	CMSO	Executive Committee - Chief Mission Support Officer	ES	$25,000			
42	WHITE	FEMALE	HECKER	JAYETTA	PI	Director, Physical Infrastructure	ES				
43	WHITE	FEMALE	HECKMANN	CYNTHIA	CMSO-ISTS	Deputy Chief Information Officer (CG Career appointment 04/6/03)	ES				
44	WHITE	FEMALE	HEINRICH	JANET	HC	Director, Health Care	ES	$12,000			
45	WHITE	FEMALE	HEIVILIN	DONNA	ARM	Director, Applied Research and Methods	ES				
46	WHITE	FEMALE	HOLLENBACH	JOAN	OGC	Managing Associate General Counsel, Legal Services	ES	$10,000			
47	WHITE	FEMALE	IRVING	SUSAN	SI	Director, Strategic Issues	ES	$8,000	$500		
48	WHITE	FEMALE	JAGGAR	SARAH	CMSO-HCO	Managing Director, Human Capital Office	ES	$20,000	$500		
49	WHITE	FEMALE	JONES	GARY	NRE	Director, Natural Resources and Environment (retired 03/01/03)	ES				
50	WHITE	FEMALE	KANOF	MARJORIE	HC	Director, Health Care	ES	$3,000		$25,889.52	
51	WHITE	FEMALE	KINGSBURY	NANCY	ARM	Managing Director, Applied Research and Methods	ES	$16,000			
52	WHITE	FEMALE	KLADIVA	SUSAN	CMSO-HCO	Managing Director, Human Capital Office (retired 07/12/03)	ES				
					CG	Special Assistant to the Comptroller General for Performance Systems (Limited Term SES appointment 07/13/03 of reemployed annuitant under Knowledge Transfer program - separated 05/27/06)	ES				
53	WHITE	FEMALE	KOONTZ	LINDA	IT	Director, Information Technology	ES	$7,000	$500		
54	WHITE	FEMALE	MAY	STEPHANIE	OGC	Managing Associate General Counsel, Goal 2	ES				
55	WHITE	FEMALE	NAZZARO	ROBIN	NRE	Director, Natural Resources and Environment	ES				
56	WHITE	FEMALE	PICKUP	SHARON	DCM	Director, Defense Capabilities and Management	ES				
57	WHITE	FEMALE	POLING	SUSAN	OGC	Managing Associate General Counsel, Goal 3	ES	$10,000			

CY 2003
(includes all SES/SL on board sometime
during the calendar year Jan 1 - Dec 31, 2003)
Sorted by Race and Gender

								Other Cash Compensation			
	Race	Gender	Last Name	First Name	Team/Unit	Position Title	Pay Plan	Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
58	WHITE	FEMALE	SAWTELLE	SUSAN	OGC	Associate General Counsel, Goal 1	ES	$11,000			
59	WHITE	FEMALE	SCHINASI	KATHERINE	ASM	Director, Acquisition and Sourcing Management	ES	$13,000			
60	WHITE	FEMALE	SHAH	DAYNA	OGC	Associate General Counsel, Goal 1	ES				
61	WHITE	FEMALE	SHAUL	MARLENE	EWIS	Director, Education, Workforce and Income Security	ES		$250		
62	WHITE	FEMALE	SIGGERUD	KATE	PI	Director, Physical Infrastructure (Career SES appointment 10/05/03 - Class 15)	ES				
63	WHITE	FEMALE	ST LAURENT	JANET	DCM	Director, Defense Capabilities and Management (Career SES appointment 10/05/03 - Class 15)	ES				
64	WHITE	FEMALE	STEINHARDT	BERNICE	SPEL	Director, Strategic Planning and External Liaison	ES	$5,000			
65	WHITE	FEMALE	TETI	CATHERINE	CMSO-KS	Managing Director, Knowledge Services	ES	$10,000	$1,000		
66	WHITE	FEMALE	THOMPSON	SALLY	FMA	Director, Financial Management and Assurance	ES				
67	WHITE	FEMALE	WANNISKY	KATHLEEN	OGC	Managing Associate General Counsel, Mission and Operations	ES				
68	WHITE	FEMALE	WESTIN	SUSAN	IAT	Managing Director, International Affairs and Trade	ES	$17,000			
69	WHITE	FEMALE	WILLETT	CAROL	CMSO-HCO	Chief Learning Officer (SES Limited Term appointment 05/21/03)	ES				
70	WHITE	FEMALE	WRIGHTSON	MARGARET	FO (SF)	Regional Director, Western Region	ES	$15,000			
71	WHITE	MALE	ANDERSON JR	JOHN	FO	Managing Director, Field Operations (reassigned 01/26/03 - formerly Managing Director, Physical Infrastructure)	ES	$10,000			
72	WHITE	MALE	APPLEBAUM	JOSEPH	ARM	Chief Actuary (Career SL appointment 06/01/03)	SL		$500		
73	WHITE	MALE	BACKHUS	STEPHEN	QCI	Director, Goals 2 and 3	ES				
74	WHITE	MALE	BELLIS	DAVID	EWIS	Director, Education, Workforce and Income Security (Career SES appointment 10/05/03 - Class 15)	ES				
75	WHITE	MALE	BOWLING	TIMOTHY	QCI	Managing Director, Quality and Continuous Improvement/Chief Quality Officer (reassigned 01/26/03 - formerly Managing Director, Quality and Risk Management)	ES	$15,000	$1,000		
76	WHITE	MALE	BREW	THOMAS	FO	Managing Director, Field Operations (retired 07/03/03)	ES				
77	WHITE	MALE	BROCK JR	JACK	ASM	Managing Director, Acquisition and Sourcing Management	ES	$25,000			
78	WHITE	MALE	BROSTEK	MICHAEL	SI	Director, Strategic Issues	ES		$500		
79	WHITE	MALE	BROWN	RICHARD	CMSO CR	Deputy Chief Mission Support Officer (retired 01/03/03) Special Assistant, Congressional Relations (Limited Term SES appointment 09/21/03 of reemployed annuitant under Knowledge Transfer progam - separated 09/17/05)	ES ES				
80	WHITE	MALE	CALDER	PHILIP	ARM	Chief Accountant	SL				
81	WHITE	MALE	CHRISTOFF	JOSEPH	IAT	Director, International Affairs and Trade	ES	$8,000	$1,200		

CY 2003
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during the calendar year Jan 1 - Dec 31, 2003)
Sorted by Race and Gender

	Race	Gender	Last Name	First Name	Team/Unit	Position Title	Pay Plan	Other Cash Compensation: Bonus for FY 03 Performance (10/01/02 - 9/30/03) Paid in CY 04	Other Awards Paid in CY 03 (See Note 1)	Retention Incentive Paid in CY 03 (See Note 2)	Recruitment Incentive Paid in CY 03
82	WHITE	MALE	CICCO JR	ANTHONY	CMSO-ISTS	Chief Information Officer	ES	$18,000	$1,000		
83	WHITE	MALE	CLARK JR	DAVID	FMA	Director, Financial Management and Assurance	ES				
84	WHITE	MALE	COOPER	DAVID	ASM	Director, Acquisition and Sourcing Management	ES	$8,000	$1,000		
85	WHITE	MALE	CRAMER	ROBERT	OSI	Managing Director, Office of Special Investigations	ES		$500	$13,932.62	
86	WHITE	MALE	CURTIN	NEAL	DCM	Director, Defense Capabilities and Management	ES	$12,000			
87	WHITE	MALE	CZERWINSKI	STANLEY	CMSO-CASO	Controller	ES				
88	WHITE	MALE	DACEY	ROBERT	IT	Director, Information Technology	ES		$1,000		
89	WHITE	MALE	DECKER	RAYMOND	DCM	Director, Defense Capabilities and Management	ES				
90	WHITE	MALE	DODARO	GENE	COO	Executive Committee - Chief Operating Officer	ES	$26,800			
91	WHITE	MALE	DYCKMAN	LAWRENCE	NRE	Director, Natural Resources and Environment	ES				
92	WHITE	MALE	ENGEL	GARY	FMA	Director, Financial Management and Assurance	ES	$8,000	$500		
93	WHITE	MALE	FARROW	R SCOTT	ARM	Chief Economist	SL		$1,250		
94	WHITE	MALE	FORD	JESS	IAT	Director, International Affairs and Trade	ES				
95	WHITE	MALE	FRANCIS	PAUL	ASM	Director, Acquisition and Sourcing Management	ES		$1,000		
96	WHITE	MALE	FULTZ	KEITH	PPI	Managing Director, Product and Process Improvement (retired 01/03/03)	ES				
97	WHITE	MALE	GEBICKE	MARK	CMSO-PDP	Managing Director, Professional Development Program	ES	$15,000			
98	WHITE	MALE	GOLDSTEIN	MARK	PI	Director, Physical Infrastructure (Career SES appointment 10/05/03 - Class 15)	ES				
99	WHITE	MALE	GOOTNICK	DAVID	IAT	Director, International Affairs and Trade	ES				
100	WHITE	MALE	GORDON	DANIEL	OGC	Managing Associate General Counsel, Procurement Law	ES	$12,000			
101	WHITE	MALE	GRYSZKOWIEC	MICHAEL	PI	Managing Director, Physical Infrastructure (reassigned 01/26/03 - formerly Managing Director, Quality and Risk Management/Chief Quality Officer)	ES	$17,000			
102	WHITE	MALE	HAGENSTAD	M THOMAS	OGC	Associate General Counsel	ES				
103	WHITE	MALE	HILL	BARRY	NRE	Director, Natural Resources and Environment	ES	$8,000	$750		
104	WHITE	MALE	HILLMAN	RICHARD	FMCI	Director, Financial Markets and Community Investment	ES	$11,000			
105	WHITE	MALE	HINTON JR	HENRY	DCM	Managing Director, Defense Capabilities and Management	ES	$20,000			
106	WHITE	MALE	HITE (See Note 3)	RANDOLPH	IT	Director, Information Technology	ES	$8,000	$1,000	$340.76	
107	WHITE	MALE	HOENIG	CHRISTOPHER	SI	Director, Strategic Issues	ES	$8,000			
108	WHITE	MALE	HOLMAN	BARRY	DCM	Director, Defense Capabilities and Management	ES	$11,000			
109	WHITE	MALE	JENKINS JR	WILLIAM	HSJ	Director, Homeland Security and Justice	ES		$250		
110	WHITE	MALE	KEPPLINGER	GARY	OGC	Deputy General Counsel	ES	$16,000			
111	WHITE	MALE	KUTZ	GREGORY	FMA	Director, Financial Management and Assurance	ES	$12,000	$1,000		
112	WHITE	MALE	LEVIN	ROBERT	ASM	Director, Acquisition and Sourcing Management	ES				

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113	WHITE	MALE	MALFI	RONALD	OSI	Director, Office of Special Investigations	ES			$12,771.72	
114	WHITE	MALE	MARTIN	JOHN	ARM	Senior Level Technologist	SL	$8,000	$500		
115	WHITE	MALE	MCCOOL	THOMAS	FMCI	Managing Director, Financial Markets and Community Investment	ES	$17,000			
116	WHITE	MALE	MCDONALD	GREGORY	CMSO	Acting Managing Director, Customer Relations (retired 05/30/03)	ES				
117	WHITE	MALE	MIHM	J CHRISTOPHER	SI	Director, Strategic Issues	ES	$16,000	$500		
118	WHITE	MALE	MOTLEY	MICHAEL	QCI	Director of Continuous Improvement (Reassigned 01/26/03 - formerly Director, Product and Process Improvement)	ES				
119	WHITE	MALE	NILSEN	SIGURD	EWIS	Director, Education, Workforce and Income Security	ES				
120	WHITE	MALE	PARKER	ROBERT	ARM	Chief Statistician	SL				
121	WHITE	MALE	POSNER	PAUL	SI	Director, Strategic Issues	ES	$12,000			
122	WHITE	MALE	POWNER	DAVID	IT	Director, Information Technology (Career SES appointment 10/05/03 - Class 15)	ES				
123	WHITE	MALE	RABKIN	NORMAN	HSJ	Managing Director, Homeland Security and Justice	ES	$12,000			
124	WHITE	MALE	REZENDES	VICTOR	SI	Managing Director, Strategic Issues	ES				
125	WHITE	MALE	RHODES	KEITH	ARM	Chief Technologist and Director, Center for Technology and Engineering	ES	$15,000	$1,000		
126	WHITE	MALE	ROBERTSON	ROBERT	EWIS	Director, Education, Workforce and Income Security	ES				
127	WHITE	MALE	ROBINSON	ROBERT	NRE	Managing Director, Natural Resources and Environment	ES	$20,000			
128	WHITE	MALE	SCANLON	WILLIAM	HC	Managing Director, Health Care	ES	$10,000		$16,540.57	
129	WHITE	MALE	SEBASTIAN	STEVEN	FMA	Director, Financial Management and Assurance	ES		$500		
130	WHITE	MALE	SELTSER	BARRY	ARM	Director, Applied Research and Methods (Career SES appointment 10/05/03 - Class 15)	ES				
131	WHITE	MALE	SHEAR	WILLIAM	FMCI	Director, Financial Markets and Community Investment (Career SES appointment 10/05/03 - Class 15)	ES				
132	WHITE	MALE	SILL	GEORGE	CMSO	Special Assistant	ES				
133	WHITE	MALE	STALCUP	GEORGE	SI	Director, Strategic Issues	ES		$1,000		
134	WHITE	MALE	STANA	RICHARD	HSJ	Director, Homeland Security and Justice	ES	$12,000	$1,000		
135	WHITE	MALE	STEINHOFF	JEFFREY	FMA	Managing Director, Financial Management and Assurance	ES	$20,000			
136	WHITE	MALE	STEINWALD	ALAN	HC	Director, Health Care	ES				
137	WHITE	MALE	STEPHENSON	JOHN	NRE	Director, Natural Resources and Environment	ES				
138	WHITE	MALE	UNGAR	BERNARD	PI	Director, Physical Infrastructure	ES			$10,262.46	
139	WHITE	MALE	WELLS JR	JAMES	NRE	Director, Natural Resources and Environment	ES				
140	WHITE	MALE	WHITE	JAMES	SI	Director, Strategic Issues	ES				

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141	WHITE	MALE	WILLEMSSEN	JOEL	IT	Managing Director, Information Technology	ES	$20,000			
142	WHITE	MALE	WOOD	DAVID	FMCI	Director, Financial Markets and Community Investment	ES				
143	WHITE	MALE	WOODS	WILLIAM	ASM	Director, Acquisition and Sourcing Management	ES				
144	WHITE	MALE	YAGER	LOREN	IAT	Director, International Affairs and Trade	ES	$8,000			
							Totals	$879,800	$33,200	$79,737.65	$6,780

Notes:

1 - Column labeled "Other Awards Paid in CY 03" includes the total amounts of other awards processed during the calendar year for which SES/SL employees are eligible. SES/SL employees may receive monetary recognition for Results Through Teamwork awards or to recognize a suggestion, superior accomplishment, extra effort, productivity gain, special act or service in the public interest in connection with official employment, or other personal effort that contributes to the economy, efficiency or other improvement in government operations. Any awards received prior to appointment to the SES/SL are not included.

2 - Column labeled "Retention Incentive Paid in CY 03" contains calendar year payments for pay periods nos. 1 - 26.

3 - HITE -The amount showin in column labeled "Retention Incentive Paid in CY 03" is the amount paid for in pay period nos. 3 through 9 in CY 03 (i.e., 02/09/03 - 05/17/03). The retention incentive was terminated effective pay period no. 10 (i.e., 05/18/03 -05/31/03

Additonal Notes:
- Total number of SES/SL employees (on board any time during CY 2003) = 144
- Total number of SES/SL employees eligible for bonuses (i.e., those who received a rating and were on board at the end of the performance appraisal cycle on 9/30/03) = 125
- Total number of SES/SL employees who received bonuses = 69
- Average SES/SL bonus = $12,751
- Percentage of SES/SL employees who received bonuses = 55.20%

The following positions are equivalent to a Managing Director:
- Chief Human Capital Officer
- Chief Information Officer
- Controller
- Executive Director, Federal Accounting Standards and Advisory Board
- Inspector General