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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





United States Government Accountability Office
Washington, DC 20548

Section 6 of the GAO Personnel Flexibilities Act of 2000, Pub. L. No. 106-303 (2000), and section 11 of the GAO Human Capital Reform Act of 2004, Pub. L. No. 108-271 (2004), require GAO to report to the Congress regarding its use of certain of the provisions of these acts. Our report on these provisions is set forth below.

Public Law 106-303– GAO Personnel Flexibilities Act of 2000

Section 6 requires us to report on an annual basis during the 5-year period beginning on the date of the enactment of the act all actions taken under sections 1 through 3. Because the date of enactment was October 13, 2000, this report will be our last under this act and only covers 13 days of fiscal year 2006. (October 1 through October 13, 2005).

Section 1, regarding voluntary early retirement authority, and section 2, regarding voluntary separation incentive payments, initially were not permanent. However, both sections were made permanent under the GAO Human Capital Reform Act of 2004, which incorporated the same reporting requirements for these sections. Therefore, we will report on our use of these sections below under Pub. L. No. 108-271.

Section 3 amended our prior reduction in force procedures. We did not utilize this provision during the reporting period of October 1 through October 13, 2005.

Public Law 108-271– GAO Human Capital Reform Act of 2004

Section 11 requires us to report on an annual basis during the 5-year period beginning on the date of the enactment of the act (July 7, 2004) on certain activities taken under sections 2, 3, 4, 6, 7, 9, and 10.

Section 2 made permanent the authority of GAO to provide voluntary early retirements and voluntary separation incentive payments. While we have used the early retirement authority on several occasions, we have chosen not to implement the voluntary separation payments because of the costs associated with their use. In addition to voluntary separation payments, which can be as much as \$25,000, GAO must pay the retirement fund an amount equal to 45 percent of the employee's final base pay, a cost that has deterred us from using the authority. Nevertheless, we believe that this authority could prove useful at some point in very limited circumstances.

During fiscal year 2006, we granted voluntary early retirement to 28 employees. As in the past, these early retirements helped GAO reshape

its workforce by providing retirement to mostly high-graded staff. Fiscal year 2006 recruitment focused primarily on entry-level positions to be filled by employees possessing the skills and knowledge necessary to accomplish GAO's work and provided assistance in GAO's efforts to reshape its workforce.

Section 3(a) of the 2004 act established a requirement that an employee must be performing at a satisfactory level in order to receive an annual pay adjustment. Regulations were issued in January 2005 to implement the satisfactory performance requirement for GAO's analysts and attorneys and in January 2006 for remaining GAO staff in administrative, professional, and support staff (APSS) occupations. All employees had been covered by a validated competency-based appraisal system for at least one full appraisal cycle when the satisfactory performance requirement was first applied.

In addition, section 3(a) of the 2004 act amended 31 U.S.C. § 732(c), which required GAO employees' pay to be adjusted at the same time and to the same extent as the pay of employees under the General Schedule. It gave the Comptroller General the authority to determine the amount of the annual pay adjustment for GAO employees independent of General Schedule increases. This authority was effective for any increase on or after October 1, 2005.

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, except for wage-grade employees, and GAO Personnel Appeals Board employees who received annual salary adjustments under alternative procedures provided by regulation.¹ Additionally, the Senior Executive Service and Senior Level employees received increases pursuant to section 3(b), discussed below.

In determining the 2.6 percent annual adjustment, GAO considered the criteria set forth in section 3(a) of the act, including relevant information obtained from GAO's market-based compensation surveys conducted by Watson Wyatt, a leading compensation consulting firm. The 2.6 percent

¹In addition, employees who were rated at meets expectations or higher were eligible for performance-based compensation, which included a merit increase to base pay or a lump sum performance bonus.

increase was the same as the salary structure adjustment factor that the survey relied upon by Watson Wyatt showed had been used for the consulting, professional, scientific, and technical service industries in 2005. These industries are comparator organizations for GAO. The Comptroller General did not determine that extraordinary economic conditions or serious budget constraints existed in fiscal year 2006.

Under section 3(b), the Comptroller General is required to consider the statutory criteria set out in section 3(a) in determining an annual increase for members of the GAO Senior Executive Service and Senior Level employees. The Comptroller General considered these criteria and determined that each member performing at a satisfactory level would receive a 1.9 percent increase, the same increase that was provided to the Executive Schedule for calendar year 2006. The Comptroller General did not determine that extraordinary economic conditions or serious budget constraints existed in fiscal year 2006.

During fiscal year 2006, 329 employees were covered by the pay retention provision under section 4. Two hundred and fifty of these employees were above the pay range maximum for Band IIA. The remaining employees were above the pay caps for the Analyst Band I or APSS bands.

Under section 6, certain key employees with less than 3 years' service for purposes of leave accrual may be treated as if they had 3 years of federal service. Therefore, they would earn 160 hours on an annual basis instead of 104 hours. There were 5 employees who received this benefit during fiscal year 2006.

Regarding the Executive Exchange Program provided for in section 7, GAO is in the process of actively seeking individuals to participate in the program. However, during fiscal year 2006, GAO had no program participants from either GAO or the private sector.

Section 9 relates to GAO's performance management system and, among other things, requires a link between the performance management system and the agency's strategic plan, adequate training on the implementation and operation of the system, and a process for ensuring ongoing performance feedback. Even before the imposition of these requirements, GAO's performance management system was in conformity with the statutory requirements of section 9. GAO, however, continues to review and analyze the system and make improvements, when appropriate.

Section 10 requires that before the implementation of any changes under the Human Capital Reform Act, the Comptroller General shall consult with any interested groups or associations representing officers and employees of GAO. The Comptroller General and other relevant agency officials meet periodically with the Employee Advisory Council (EAC) to discuss current and emerging issues of mutual interest and concern, especially those in the human capital area. GAO also uses focus groups, employee forums, and other mechanisms to obtain employee input on major proposals. In addition, GAO provides all employees with advance copies of draft orders concerning proposed policies and regulations for their comments prior to publication in final form. These steps were taken in regard to the promulgation of all policies and regulations to implement the provisions of the Human Capital Reform Act of 2004. We carefully considered the input from the comments of EAC members and other GAO employees before implementing any changes.

In regard to human capital management at GAO, sections 2, 3, 4, 6, 7, 9, and 10 have provided GAO with valuable tools to reshape its workforce and acquire and retain the necessary talent to carry out its mission, meet its performance goals, and fulfill its strategic plan. These sections collectively are a part of the total human capital management tools at GAO, which enable GAO to be a world-class professional services organization. Without these provisions, GAO would have difficulty in competing in the marketplace for employees with the appropriate knowledge, skills, and abilities to do its work, a result that could have an adverse impact on GAO's ability to fulfill its responsibilities to the Congress and the American people.

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