Office of Inspector General
Corporation for National and Community Service

Follow-Up Review and Assessement of the Corporation for National and Community Service's Alternative Personnel System

Report Number 06-15

Corporation for NATIONAL & COMMUNITY SERVICE

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This report was issued to Corporation management on January 31, 2006. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than July 31, 2006, and complete its corrective actions by January 31, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Corporation for NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

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Alternative Personnel System
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OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Job Performance Systems, Inc. (JPS) to conduct a follow-up review and assessment of the Corporation's Alternative Personnel System. This report is an evaluation of the Corporation's progress in responding to the 13 observations and options for improvement offered in a 2003 assessment of the APS that was conducted for the OIG by Deloitte and Touche (D&T)

JPS's research, including an employee survey that achieved a 73 percent response rate, found progress had been made by the Corporation in a number of areas, including the establishment of the post of Chief Human Capital Officer, the signing of an Interchange Agreement and improved communications by management to employees on the APS and other personnel issues.

The assessment also cited the need for more training for supervisors on APS procedures and policies, improved operations in the Office of Human Capital, enhanced staff development and career advancement initiatives, and the establishment of non-monetary rewards and recognition for top-performing employees.

This report also evaluated the Corporation's new Management Appraisal System (MAS) and its proposed Employee Appraisal System (EAS), as well as the Equal Employment Opportunity (EEO) climate. Options offered for improvement included strengthening links between performance and compensation in the MAS and EAS. On EEO issues, JPS observed that improved outreach in recruiting and expanded career opportunities for current employees could enhance the diversity of the Corporation's workforce.

In its response to our draft report (Appendix B), the Corporation proposed a number of specific actions that we believe will continue improve the effectiveness of the APS.

JPS is responsible for the observations and options for improvement expressed in this report. However, our review of their work disclosed no instances where JPS did not comply, in all material respects, with the PCIE Quality Standards for Inspections (2005).

This report is a matter of public record and its distribution is not limited.

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Executive Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation) contracted with Job Performance Systems, Inc. (JPS) to conduct a follow-up review and assessment of the Corporation's Alternative Personnel System (APS). JPS evaluated the Corporation's progress in responding to Deloitte & Touche's (D&T) 2003 OIG Assessment of the APS.

In 1995, under special statutory authority, the Corporation established an Alternative Personnel System (APS) exempt from most of the provisions of Title 5 of the United States Code and other statutes governing human resource management for the General Schedule.

D&T summarized its 2003 APS findings into 13 observations and offered a number of options to address each observation. Our follow-up review focused upon the D&T observations and options. JPS gathered data, using a variety of methods, including an employee survey which elicited a 73 percent response rate, to determine the Corporation's progress.

JPS's review and assessment found some progress in a number of key areas, including the establishment of the post of Chief Human Capital Officer, the signing of the Interchange Agreement, and improved communications on topics related to the APS and personnel issues in general.

The assessment also found a need for continued improvement such as supervisor training on APS procedures and policies. We also evaluated the Corporation's new Management Appraisal System and its proposed Employee Appraisal System, as well as the Equal Employment Opportunity (EEO) climate. In addition, we identified new areas to evaluate for improvement including OHC operations, employee development, and non-monetary rewards and recognition.

The Corporation's response (Appendix B) directly addresses many of our observations and proposes targeted actions that, when implemented, we believe will continue to improve the Alternative Personnel System. We encourage the Corporation to also continue to evaluate the implementation and effectiveness of its performance management systems and the linkage between compensation and improved employee and organizational performance.

Results in Brief

D&T's report covered six general areas: human capital, the APS, performance management, diversity, communication, and employee retention. Following are the observations and options offered by D&T and the follow-up assessment made by JPS.

Human Capital

Human Capital and Corporation Strategy
D&T found that the APS should better support the Corporation's current and future needs.

D&T identified as an option for improvement that the Corporation create a Human Capital Strategy. JPS found that the Corporation has created a Preliminary Strategic Human Capital Plan, however, it has not been kept current. We recommend that the Corporation:

- Update the Human Capital Plan and track action steps to ensure full implementation.

D&T also identified as an option for improvement that the Corporation examine APS flexibilities and align them with the Corporation's strategy. JPS found that the Corporation has made significant progress and accomplished a number of objectives. We recommend that the Corporation:

- Continue to develop ways to leverage the APS.

Chief Human Capital Officer (CHCO)
D&T observed that employees need an honest broker that reports to the CEO and decides EEO issues. JPS found that the Corporation now has a permanent CHCO and concludes that the Corporation has addressed this need.

Office of Human Capital (OHC) Roles and Responsibilities
D&T observed that OHC decision-making roles and responsibilities are unclear among OHC, other offices and managers/employees. It identified as an option for improvement that the Corporation redefine the role of OHC as an advisor to managers/employees. JPS found that OHC has redefined the role as consultant to all Corporation offices, but is still spending a great deal of time on day-to-day issues that divert its ability to focus on human capital management. We recommend that the Corporation:

- Identify ways for OHC to devote more time to strategic matters that have the long-term potential to empower managers and employees to serve the mission. One way to do this is to provide more regular training for managers on the APS.

Personnel Documents

D&T observed that personnel documents are not dated. JPS found that while there have been improvements, more work is needed, and we recommend the Corporation:

- Implement a change-management process to record substantial changes to key documents.

Office of Human Capital Performance

These are new findings.

JPS observed that some employees and managers expressed concerns about the quality and timeliness of the support they receive. We recommend that:

- OHC determine the root causes and implement effective solutions.

JPS observed that data quality issues exist in the OHC and recommends that:

- OHC implement better quality control procedures and better procedures to track actions and issues that come to OHC for resolution.

Alternative Personnel System

APS Policies and Procedures

D&T observed that managers and employees do not understand APS policies and procedures. It identified as an option for improvement that the Corporation clarify the APS process and provide training. JPS found this situation still exists and recommends that the Corporation:

- Take further steps to clarify some of the APS policies and procedures.
- Provide additional formal training to managers and employees.

Competitive Status

D&T observed that APS employees are not eligible for competitive status through OPM and identified as an option for improvement that the Corporation actively pursue an Interchange Agreement. JPS found that the Corporation has entered into an Interchange Agreement with OPM and concludes that the Corporation has achieved the improvement identified.

New Hires

D&T observed that applicants do not certify their credentials and previous salaries are not verified.

D&T identified as an option for improvement that applicants certify their credentials. JPS found that applicants are now hired through Quick Hire and must check a box stating that the information they provide is accurate. JPS concludes that the Corporation has adequately addressed this finding.

D&T identified as an option for improvement that applicants provide evidence of previous salary. JPS found that the Corporation does not routinely obtain information to verify salary history for new hires from the private sector. JPS recommends that OHC:

- Collect copies of pay stubs or W-2s for any new hire from the private sector.

D&T also identified as an option for improvement that the Corporation set salaries for new hires based upon a range of factors. JPS found a policy in the Handbook authorizing hiring officials to set salaries above the minimum if justified by salary history or other defined factors. JPS concludes that salary history and consideration of other factors are important considerations in setting salary and therefore believes that the Corporation's practices are appropriate.

Compensation

D&T observed that the APS is "oversold" during recruiting, and there is insufficient funding for salary adjustments/rewards.

D&T identified as an option for improvement that the Corporation clarify recruiting guidelines in writing. JPS found no written guidance on how a hiring manager should communicate this sensitive information to job applicants. JPS recommends the Corporation:

- Determine and provide guidance to hiring officials on how to address the topic of salary increases, bonuses, and promotion opportunities with job applicants.

D&T identified as an option for improvement that the Corporation make budgeting for sufficient salary increases a priority. JPS found that the Corporation has increased funding for performance incentives and expects to continue increases in FY 2006 and 2007. JPS concludes that the Corporation has made satisfactory progress in this area.

Non-monetary Rewards and Recognition

This is a new finding. JPS found that employees would appreciate more non-monetary rewards and recognition for their work. JPS recommends the Corporation:

- Make a concerted effort to better recognize employees through the use of non-monetary rewards.

Employee Development

This is a new finding. JPS found that employee training needs are not well assessed and used in a well-integrated program of development. JPS recommends the Corporation:

- Conduct a thorough training needs assessment.
- Establish and fund a complete training program aligned with the Corporation's strategic plan.

Performance Management

D&T observed that the performance management system was not viewed as valuable and had no direct tie to compensation and rewards.

D&T identified as an option for improvement that the Corporation redesign the performance management system with multiple levels. JPS found that the Corporation has implemented a five-tier Manager Appraisal System (MAS) and is in the process of implementing a five-tier Employee Appraisal System (EAS). Our review and interviews suggest areas in both systems that should be addressed. We recommend the Corporation:

- For the MAS and EAS:
  - Review and clarify procedures, and provide additional training where necessary.
  - Evaluate ways to more directly link work plan performance with competency ratings
- For the MAS:
  - Review work plans and associated competencies to better align the organization's strategy with the appraisal measures.
  - Evaluate ways to increase rating objectivity and consistency using performance standards.
- For the EAS,
  - Evaluate the competencies to ensure they reflect performance standards at the level of Fully Successful that include behavioral/outcome expectations written in such as way as to provide room for improvement.

D&T identified as an option for improvement that the Corporation emphasize employee development in the performance appraisal process. JPS found that there is indication in the manager and the employee appraisal systems that managers are responsible for employee development, but there is no specific accountability. JPS recommends that the Corporation:

- Develop a competency that creates specific accountability for employee development. Include manager behaviors/outcomes and performance standards.

D&T identified as an option for improvement that the Corporation link pay and performance. JPS found there is a weak link between pay and performance and we recommend:

- The Corporation monitor performance awards (salary adjustments and bonuses) to ensure they are supported by performance appraisals.

Diversity

Equal Opportunity

D&T observed that African-Americans, minorities in general, and some women feel they are treated differently than non-minorities. JPS re-evaluated the Equal Employment Opportunity (EEO) climate and found that these groups continue to feel they are less likely to receive pay raises and rewards, advance in their careers, and be safe in disclosing diversity concerns.

D&T identified as an option for improvement that the Corporation reinforce a policy of non-discrimination. JPS found that the Corporation has a clear policy that is well written and complete and concludes that the Corporation has appropriately reinforced a policy of non-discrimination.

D&T identified as an option for improvement that the Corporation establish a formal diversity program. JPS reported on the initiatives that the Corporation has taken in this direction. These include a new non-discrimination policy, establishment of a Diversity Advisory Council (DAC), a speaker series, and 360-degree feedback and coaching for managers. JPS recommends that the Corporation:

- Take steps to make the diversity program more formal by setting specific goals, action steps, and measures that can be tracked to evaluate success. Examples of areas in which the Corporation could apply this approach include recruitment of minorities, raising the skills of the existing workforce, creating career ladders and other career development programs, and addressing non-supportive behaviors of certain managers.

D&T identified as an option for improvement that the Corporation complete a full EEO analysis to determine if differences exist in the hiring, compensation, promotion, or disciplinary actions as a function of race, gender, or ethnic status. The Corporation has not yet completed such a study. We were able to conduct some of these analyses ourselves using 2004 data provided by the Corporation. We identified differences in bonuses and pay adjustments and found African-Americans and minorities did receive less than non-minorities. Depending on how the data is aggregated, the average differences ranged from about $200 to $339. While this finding does do not necessarily indicate a problem of discrimination, it does highlight the need to conduct a full EEO analysis so such findings can be further investigated. We recommend that the Corporation:

- Complete a full EEO analysis as soon as possible, both to help identify potential barriers for minorities and to be in compliance with new Equal Employment Opportunity Commission (EEOC) directives.

- Special assignments are often used to develop the skills of employees and position them for advancement in the organization. We recommend that the Corporation

develop a method to better track such assignments and ensure that they are made available to all employees.

D&T identified as an option for improvement that the Corporation ensure that the EEO/adjudication process is timely, fair, and objective. JPS found that the number of complaints has been reduced, there has been progress in closing complaints carried over from previous years, investigations are generally being completed within the required timeframe, and employees are likely to feel their concerns are taken seriously. JPS concludes that the Corporation has made satisfactory progress in this area.

Minority Representation

D&T observed that while minorities are well represented across the Corporation, they are more concentrated in lower pay-grade levels.

D&T identified as an option for improvement that the Corporation ensure that recruiting reaches out to diverse candidates. JPS found no written guidance in this area for managers involved in the recruiting process. We recommend the Corporation:

- Develop a centralized, well-structured process to ensure information on job openings reaches a diverse audience.

D&T identified as an option for improvement that the Corporation ensure that employees have realistic expectations about job advancement; JPS did not find evidence of such a program. JPS recommends the Corporation:

- Invest resources to develop career ladders, upward mobility programs and other means to help internal candidates become better qualified for openings at the Corporation.

D&T identified as an option for improvement that the Corporation encourage employees to develop skills for higher-level positions. JPS found little evidence of programs to foster upward mobility. We recommend the Corporation:

- Provide access to upward mobility programs, special assignments, training, coaching, mentoring and other support to help minority employees progress in their careers.

Equal Employment Structure/Process

D&T observed there are unclear roles and responsibilities across OHC, EEO, and OGC that add to EEO discord.

D&T identified as an option for improvement that the Office of Civil Rights and Inclusiveness (OCRI) and OHC should report to the CHCO. JPS found OCRI, position management and workforce relations all report to the CHCO, and that OCRI

has a dotted line responsibility to the CEO. Therefore, JPS concludes that the Corporation has made satisfactory progress in this area.

D&T identified as an option for improvement that the roles and relationships between OHC and OGC be clarified. JPS found that restructuring and personal relationships of the personnel in both offices have clarified their roles and relationships and concludes that the Corporation has made satisfactory progress in this area.

D&T identified as an option for improvement that the Corporation clarify steps and responsibilities in the EEO process. JPS identified four ways the Corporation helps employees understand and follow the EEO process and concludes that the steps are clear and generally well communicated to employees. Therefore, the Corporation has made satisfactory progress in this area.

D&T identified as an option for improvement that managers be fully trained on their EEO and other human capital-related responsibilities. JPS found that there is no active training program to ensure managers gain the required knowledge and skills to perform their EEO responsibilities. JPS recommends the Corporation:

- Ensure that new supervisors receive orientation training as soon as possible after promotion and that the training covers essential EEO topics.
- Integrate diversity and EEO training wherever appropriate within a full program of supervisory and management training.

Communications

D&T observed that managers and employees felt they do not receive sufficient communication. It identified as an option for improvement that the Corporation establish better mechanisms to communicate and ensure the information employees receive is accurate, timely, and accessible. JPS found a number of ways that the OHC and other offices are now using to better inform employees about Corporation information and concluded that communications have greatly improved. Most employees feel they are receiving valuable information concerning human capital, congressional activities, and Corporation policies. To further make improvements we recommend the Corporation:

- Develop a formal internal communication plan.
- Identify a single, specific unit to take responsibility for managing communications.
- Develop new ways to help employees effectively identify and use information sources.

Employee Retention

This is a new finding. The Corporation's attrition rate has declined over the past two years. However, many employees indicated they are considering looking for

employment elsewhere and cited some areas that may impact future retention. JPS recommends the Corporation:

- Monitor and evaluate the reasons employees leave voluntarily to identify developing patterns that can be addressed.

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I. Methodology

Restructuring the D&T Observations and Options for Improvement
We reviewed the observations and options for improvement presented in the D&T report. To help organize and structure our work, we grouped their observations and options for improvement into six categories based upon similarity of content. The categories were:

- General Human Capital Issues
- Components of the APS
- Performance Appraisal
- Diversity Issues
- Communications
- Employee Retention

We next identified specific topics within the categories. Table 1 shows the results of this work. The text beside each topic presents the observations and options for improvement from the D&T report. In general, the first sentence presents its observation and any following sentences present its options for improvement. In producing this text we combined a few observations and options for improvement that are redundant. Finally, we added a few topics to the table that were not covered by D&T, but surfaced in our interviews and focus groups. We have used the structure in Table 1 to present the findings and recommendations sections of our report.

Review of Existing Documents

The Corporation's OHC intranet site was our starting place for locating documents concerning the APS. We reviewed the Corporation Personnel System Handbook (Handbook), newsletters, CHCO chat minutes, strategic planning documents, and a variety of other relevant policies and procedures. Following a review of this material, we requested additional documents from the OHC and other groups (e.g., Finance and the Diversity Advisory Council).

In addition to this information, JPS reviewed a random sample of employee applications. We also obtained current data on employee demographics and data related to performance appraisals, ratings, and compensation.

Interviews

JPS interviewed 17 people on the executive committee, 3 people in the OIG, 2 Union representatives, 2 members of Blacks in Government (BIG), and 5 others. We also met with representatives of the National Academy of Public Administration (NAPA) to learn about their current study of the Corporation.

Table 1. Reorganization of the D&T Observations and Options for Improvement

GENERAL HUMAN CAPITAL
OHC and Corporation Strategy (D&T 1). The APS should support the Corporation's current and future needs. Create a Human Capital Strategy. Examine APS flexibilities to ensure they align with the Corporation's strategy and consider making changes to the APS.
Chief Human Capital Officer (CHCO) (D&T 3). Employees need an honest broker to represent them with management. The roles of HC, EEO, and General Counsel are unclear. Create a CHCO position that reports to the CEO and decides EEO issues.
OHC Roles and Responsibilities (D&T 5). OHC decision-making roles and responsibilities are unclear among HC, other offices and their managers/employees. Redefine OHC role as an advisor to managers/employees.
Personnel Documents. Personnel documents are not dated, which could complicate defense of future personnel decisions made pursuant to policy and procedures. Date personnel documents.
OHC Performance (New Finding). Some employees and managers expressed concerns about the quality and timeliness of the support they receive, and data quality issues exist.
ALTERNATIVE PERSONNEL SYSTEM
APS Policies and Procedures (D&T 2 & 4). Managers and employees do not understand APS policies and procedures. Clarify unclear provisions, define manager/supervisor and OHC roles and responsibilities; disseminate policies, and provide training. Also, establish written internal controls and delegations of authority.
Competitive Status (D&T 12). APS employees are not eligible for competitive status through OPM. Actively pursue an Interchange Agreement.
New Hires (D&T 8). Applicants do not certify their credentials and previous salaries are not verified. Require applicants to certify their credentials and provide evidence of previous salary, and establish criteria for setting salaries to include consideration of previous salary, relevant experience and education, performance, and comparability with comparable current employees.
Compensation (D&T 6). The APS has been "oversold" during recruiting. There is insufficient funding for salary adjustments/rewards. Clarify recruiting guidelines in writing. Make budgeting for sufficient salary increases a priority.
Non-Monetary Rewards and Recognition (New Finding). Employees would appreciate some non-monetary rewards and recognition for their hard work.
Employee Development (New Finding). Employee training needs should be evaluated and addressed.
PERFORMANCE MANAGEMENT
Performance Management (D&T 7). The performance management system is not viewed as valuable and there is no direct tie to compensation/rewards. Redesign the performance management system with multiple levels, make managers accountable for employee development, and link compensation decisions to performance.

DIVERSITY ISSUES
Equal Opportunity (D&T 9). African-Americans, some women, and other minorities feel they are treated differently than whites. Reinforce policy of non-discrimination, establish a diversity program, ensure CHCO oversees fairness, and conduct a detailed equal employment analysis, and ensure EEO/adjudication process is timely, fair and objective.
Minority Representation (D&T 10). While well-represented across the Corporation, African-Americans are more concentrated in the lower pay grade levels. Evaluate why African-Americans are concentrated at lower pay grades, ensure recruiting reaches out to diverse candidates, ensure employees have realistic job expectations, and encourage employees to develop skills for higher-level positions.
Equal Employment Structure/Process (D&T 11). Unclear roles/responsibilities across OHC, EEO and OGC add to EEO discord. Have EEO and OHC report to the CHCO, clarify roles of OHC and OGC; clarify steps and responsibilities in EEO process, and training managers on their responsibilities.
COMMUNICATIONS
Internal Communications (D&T 13). Managers and employees feel they do not receive sufficient communication.
EMPLOYE RETENTION
Employee Retention (New Finding). Employees have seen improvements but cite some issues that may impact retention.

In general, the interviews took from 60 to 90 minutes to complete. We began most interviews by asking the interviewee to provide a brief summary of their position responsibilities and background. Then, depending on their role in the Corporation, we asked a series of prepared questions. Most of our questions concerned the Corporation's restructuring around a Chief Human Capital Officer (CHCO) position, the APS, compensation, the performance appraisal systems, diversity, and communications.

We also met several times on a less formal basis with certain OHC employees to obtain details concerning matters such as hiring, promotion, training, attrition, the EEO complaint process, the proposed Employee Appraisal System (EAS), and the Manager Appraisal System (MAS).

Focus Groups

We conducted 7 focus groups in which a total of 50 employees participated. The number of participants per group ranged from 2 to 11. Four of the groups were held at headquarters while three were conducted by telephone with employees in the field. Five of the focus groups contained random samples of employees. Two of the groups contained a random sample of managers. The remaining two groups were "special interest" sessions. We held one session with OIG employees and another composed predominately of members of Blacks in Government (BIG).

The participation rate of those we invited to focus groups was poor. Of the 191 employees invited to the manager and employee focus groups, 35 participated, a rate of 18 percent. We did better with the special interest groups. A total of 61 percent of the invited OIG employees participated, as did 47 percent of those invited to the BIG session. Because of the low overall response rates, we consider the focus groups to be a non-representative sample. Therefore, we treated focus group comments the same as we did the interview responses: as an opportunity to identify broad themes and a means to obtain information deserving follow-up.

We began each focus group with introductions and a brief project description. All participants were assured their statements would be kept confidential. We then asked a series of questions we developed based upon a review of documents and information obtained from the interviews. We developed questions tailored to the type of group (managers, employees, OIG, BIG). Because of the broad range of issues, there were more questions than could be addressed in each focus group. Therefore, JPS covered the spectrum of questions across all focus groups, but did not ask all questions in any one group.

Survey

We prepared an electronic survey and sent it to all employees of the Corporation. The survey items were developed after a review of all the information we had collected up to that time (e.g., documents, interviews, and several focus groups). We also reviewed two earlier surveys that had been administered to Corporation employees – D&T's 2003 survey and the Office of Personnel Management's 2004 survey. JPS also reviewed an internal survey on communications, which was part of the Management Improvement Team work conducted at the end of 2003.

Our survey items were reviewed by the CHCO and a policy analyst in the Office of Research & Policy Development. The final survey was comprised of 55 items. Most had a five-point Likert scale (Strongly Agree, Agree, Neither Agree nor Disagree, Disagree, Strongly Disagree). Five of the survey items duplicated those used by D&T. Six were duplicates from the OPM study.

The survey was made available to all employees from August 11 through September 2, 2005, and was launched with an e-mail from David Eisner, Chief Executive Officer, describing the nature of the survey and encouraging employees to take it. At nearly the same time, JPS sent an e-mail to employees with a link to the survey. These two emails were resent as reminders 7 days after the initial launch and 12 days after that.

We received a good response rate to the survey. A total of 420 people completed at least half the items for a response rate of 73 percent. Sixteen people responded to less than half of the survey and their responses were not included in our analyses. Over half of respondents were female (59 percent). Thirty-nine percent of respondents were minorities, of which 29 percent were African-American, 4 percent Asian, 4 percent Hispanic, and .5 percent Native American.

II. Human Capital

	Human Capital and Corporation Strategy
D&T Observed	The APS Should Support the Corporation's Current and Future Needs.
D&T Options for Improvement	Create a Human Capital Strategy.
	Examine APS Flexibilities to Ensure They Align with the Corporation's Strategy and Consider Making Changes to the APS.

Create a Human Capital Strategy

Update: Since the D&T report, the Corporation has created a Preliminary Strategic Human Capital Plan (SHCP).

JPS Findings: We reviewed the plan and it follows the guidelines provided in the President's Management Agenda (PMA). As required, it addresses each of the six Standards for Success. However, the plan has not been updated since March 2004 and lacks outcome measures to assess implementation progress. Instead, it includes an intention to provide such measures 60 days after its final release. There is a plan to update this strategy in 2006.

There are action items in the SHCP specifically designed to achieve strategic alignment between human capital activities and the mission of the Corporation. The items are designed to allow realignment based on FY 2004 mission priorities. However, we could not find evidence that realistic dates have been set for the achievement of the action items. Further, OHC is unaware of any efforts to track the status of these action items. In various interviews we were informed that these action items are on hold pending the issuance of reports by external groups.

While the SHCP addresses the issue of leadership and the development of leaders, specific action items that would lead to effective succession planning are not included. Given the Corporation's attrition rate has decreased in the past two years, this may not be a critical issue. However, other circumstances (such as the Interchange Agreement) could encourage some key personnel to depart, causing a loss of agency knowledge and expertise.

JPS Conclusions and Recommendations: The Corporation has a SHCP that has been available since May 2004. It contains the required action plans necessary to implement the strategy, but the action plans have not been tracked or updated. We recommend that OHC:

- Update the SHCP.
- Track action steps to ensure full implementation.

Examine APS Flexibilities to Ensure They Align with the Corporation's Strategy and Make Needed Changes to the APS

Update and JPS Findings: In creating the SHCP, the Corporation identified a number of initiatives to align its Strategic Plan with the human capital strategy. It has accomplished a number of its objectives. Specifically, it:

- Hired a permanent CHCO who reports to the Chief Executive Officer (CEO).
- Conducted leadership development by the 360-degree manager development program.
- Changed the policy on term appointments.
- Executed the Interchange Agreement.
- Implemented Quick Hire.
- Created a Diversity Advisory Council and an Office of Civil Rights and Inclusiveness (OCRI).
- Designed, developed and implemented the Manager Appraisal System (MAS) in 2004 and is currently implementing the Employee Appraisal System (EAS).
- Improved communications related to human capital issues and initiatives.

JPS Conclusion and Recommendations: Significant progress has been made in the past two years. We recommend that the Corporation:

- Continue developing ways to leverage the APS to help the Corporation meet its goals.

	Chief Human Capital Officer (CHCO)
D&T Observed	Employees Need an Honest Broker to Represent them. Roles of OHC, EEO, and OGC are Unclear.
D&T Options for Improvement	Create a CHCO Position that Reports to the CEO and Decides EEO Issues.

Create a CHCO Position That Reports to the CEO and Decides EEO Issues.

Update: The Corporation has created a CHCO position. There have been two incumbents in that position, one "acting" and the current permanent CHCO.

JPS Findings: The Corporation has structured the position so that it fully meets the guidance provided by the D&T option for improvement. The CHCO has provided a central focus for the Corporation-wide management of human capital.

JPS Conclusion: The Corporation has fully addressed this D&T option for improvement.

	OHC Roles and Responsibilities
D&T Observed	OHC Decision Making Roles and Responsibilities are Unclear Among OHC, Other Offices and Managers/Employees.
D&T Option for Improvement	Redefine OHC Role as an Advisor to Managers/Employees.

Redefine OHC Role as an Advisor to Managers/Employees

Update: The SHCP defines a new orientation for OHC, to improve human capital management by serving as consultant to all Corporation offices while also ensuring that day to day operations continue in a responsible and responsive manner.

JPS Findings: Presently OHC spends more time on day-to-day operations than on human capital management. According to a senior member of OHC, this can be traced in part to the former practice of hiring employees for term appointments. In the past, managers could more easily terminate employees at the end of their terms, so they did not always spend the time required to correct performance issues. With the end of term appointments, OHC is spending a great deal time helping managers handle problem employees. As a result, OHC is engaged in "incredible hand holding" with some managers. It is OHC's hope that this need will diminish when managers are better trained.

Additionally, OHC expends some time addressing "housekeeping issues," such as encouraging employees to keep workspaces clean. One of OHC's challenges is providing employees and managers with appropriate day-to-day support while also finding time to address higher-level policy issues.

JPS Conclusions and Recommendations: The SHCP has redefined the role of OHC as an advisor to the Corporation on human capital matters. Currently OHC staff is spending a great deal of their time answering routine questions. We recommend that

- OHC find ways to devote more time to strategic matters that have the long-term potential to empower organizational members to more effectively serve the mission of the Corporation. Providing more regular training to managers on the APS would improve this situation.

	Personnel Documents
D&T Observed	Personnel Documents are not Dated, which Could Complicate Defense of Future Personnel Decisions made Pursuant to Policy and Procedures.
D&T Option for Improvement	Date Personnel Documents.

Date Personnel Documents

Update: The Corporation uses two primary documents related to human capital: the Handbook and a Supervisors Desk Reference. Both documents contain dates. The Handbook also lists dates when revisions were made. In addition to dating the Handbook, OHC has added page numbers, indexing and hyperlinks.

JPS Findings: The remaining issue with the Handbook is that the effective date and the specifics of what has been changed are not identified.

JPS Conclusions and Recommendations: D&T's original observation is still valid. It remains impossible to know specifically what was revised and when the revision was enacted. We recommend that OHC:

- Develop a change management process in which a record is maintained of any substantive changes that are made to key OHC documents.

	Office of Human Capital Performance
New Findings	Some Employees and Managers Expressed Concerns about the Quality and Timeliness of the Support they Receive.
	Data Quality Issues Exist.

Some employees and managers expressed concerns about the quality and timeliness of the support they receive.

JPS Finding: Some managers and employees report that changes in the past two years have invigorated the OHC and now there are people who do more than just process information. Union representatives also report a good relationship with OHC.

Even though there have been improvements, we have heard mixed reviews by Corporation managers and employees about the quality of OHC support they receive. Among concerns reported to us were inaccurate hiring lists, important forms getting lost, and receiving inaccurate answers to questions. For example, OHC sometimes answers the same questions posed by different people in diverse ways, and even then its answers may differ from information in OHC Updates. Finally, managers also indicated concerns

that their employees, who may not have an immediate point of contact in OHC, may have difficulty getting needed support, particularly when trying to resolve individual problems.

The quality of support can also relate to documentation. Employees have tried to use the Handbook but have had difficulty finding it on the Corporation's Intranet. They have also questioned its validity. For example, the Handbook incorrectly says that all employees can invoke arbitration. That option is legally available only to Union members. OHC personnel know this but only explain it to employees when asked. Another employee who inquired about an issue with OHC, referencing the Handbook, stated he received the response "Well, we just don't do things like that around here." We have been told that both the Handbook and the Supervisor's Desk Reference are in the process of being revised and updated.

Our survey responses show that supervisors tend to agree more often that they receive accurate, consistent and timely responses from OHC, as compared to non-supervisors. As shown in the Table below, substantial differences appear in the responses to each item. The reason may be that managers, more than employees, have developed personal relationships with OHC personnel and have learned to go directly to them for support. Managers may also be more likely to directly contact the CHCO if they need support.

Table 2. Quality and Timeliness of OHC Support

	Agree and Strongly Agree (Supervisors)	Agree and Strongly Agree (Non-Supervisors)
I can rely on information from people in OHC as being accurate.	71%	62%
You can count on getting consistent answers from OHC.	53%	43%
People in OHC provide timely responses to questions.	65%	55%
The OHC focuses on employee concerns and resolves them in a fair and impartial manner.	61%	38%

**Scale: Strongly Disagree=1, Strongly Agree=5

As reported in the survey, some Corporation managers indicated frustration with a lack of support from OHC line employees who are not responsive and do not provide information. In addition, employees say that sometimes OHC is slow in getting things done. Efficiency, say managers and employees, is getting better but they still have to actively manage their dealings with OHC.

It appears some employees rely on resources other than OHC on personnel matters because either they feel they can get a better response or because they do not know where to go. Many rely on the Union and OCRI.

JPS Conclusions and Recommendations: OHC does not appear to be fully meeting the needs of all its customers, particularly concerning routine support. Several interventions might reduce these concerns. These include raising the knowledge and skills of OHC

staff, improving and better managing work processes, and identifying more effective ways to ensure customer concerns are fed back into the system and used for continual improvement. We recommend that OHC:

- Determine the root causes and implement effective solutions.

Data Quality Issues Exist

JPS Findings: Another concern raised by employees relates to the lack of quality control and issues with internal tracking procedures. Data entry errors are made which result in frequent calls to OHC for resolution. One employee commented that data from OHC could not be trusted.

JPS experienced data quality issues first hand with its online survey. We learned that one Corporation employee did not receive the e-mailed survey invitation and requested more information from OHC and the Office of Information Technology (OIT) to determine if others were similarly impacted. OHC replied that the original e-mail recipient list looked fine and had no idea why the missing person was not included in the original list. The OIT had to resolve this issue, which was partially due to problems in the OHC data file.

JPS also identified other data quality issues with the demographic file provided to us by OHC. For example, some current employees were not on the list OHC originally provided us. Another issue was that the supervisory status for some employees was incorrectly recorded. All data quality issues were eventually resolved.

JPS had another experience relating to an OHC quality control issue. When we reviewed the 20 recent applicant files to determine if salary data for new hires was being verified, we noted that certain information was being sporadically maintained. Following internal procedures, OHC should have the following items available in each folder:

- Copy of the SF-52 signed/budget approval (approval for the position to hire)
- Position Description (detail description of position)
- Selection Roster
- List of applicants (a list of all applicants who applied for the position)
- Justification memo (justification of the selectee for the position)
- Any notes pertaining to files of hiring process

We did find this information in most of the files we reviewed. However, several of the Selection Rosters in which final selections appeared to have been made did not have a signature or any indication of which applicant had been selected for the position. In addition, some of these folders were missing justification memos.

Finally, we noted that there were some problems with missing items in personnel files that OHC maintains. While collecting information on a sub-sample of the MAS ratings, we did not find work plans attached to each appraisal. However, the missing items were found and attached by OHC when we noted the problem.

JPS Conclusions and Recommendations: Issues with data quality should be identified and addressed. We recommend that OHC develop and implement:

- Better quality control procedures.
- Better procedures to track issues that come to the OHC for resolution.

III. Alternative Personnel System

	APS Policies and Procedures
D&T Observed	Managers and Employees do not Understand APS Policies and Procedures.
D&T Option for Improvement	Clarify, Disseminate, and Provide Training in APS Policies and Procedures.

Clarify, Disseminate, and Provide Training in APS Policies and Procedures

Update: There are several ways that managers and employees can learn about the provisions of the APS. The Handbook and the Supervisor's Desk Reference remain the basic reference documents. Since D&T completed its report, the Corporation has been conducting CHCO Chats (open meetings with employees) which can provide answers to personnel questions. In addition, the Corporation issues OHC Updates and the Advisor (OHC information for supervisors), to keep employees and managers informed on changes in the organization and its policies.

However, only about half of survey respondents agreed that the Corporation has adequate written standards for hiring (52 percent) and for performance appraisals (51 percent). Further, only about a quarter of the respondents agreed that the Corporation's written standards for promotions (21 percent), bonuses (25 percent), and salary increases (23 percent) are adequate.

Supporting these results, some employees told us that much about the APS remains vague to them, including the goals of APS. Further, only 44 percent of the survey respondents agreed that their supervisor is a good resource regarding the APS.

We were not able to find documentation that the Corporation has a systematic approach to provide supervisory training and there is currently no standard supervisor training on the APS. Particularly with respect to training on the MAS (part of the APS), there was only one broad, two-hour training program that included a PowerPoint presentation. The training related to general performance management and did not focus on specific MAS policies and procedures.

JPS Conclusions and Recommendations: There remains a need to further clarify APS policies and procedures and to provide training. We recommend the Corporation:

- Develop written procedures for approving promotions, bonuses and salary increases, and clarify the procedures for hiring and the performance appraisal systems.
- Develop standard training for new Corporation managers and supervisors on APS policies and procedures.
- Provide training to new managers within a short time after their appointment so that they can learn how to use available APS tools.

	Competitive Status
D&T Observed	APS Employees are not Eligible for Competitive Status Through OPM.
D&T Option for Improvement	Actively Pursue an Interchange Agreement.

Actively pursue an Interchange Agreement

Update: On July 29, 2005, the Corporation entered into the Agreement for the Movement of Personnel between the Civil Service System and the Corporation for National and Community Service (the Interchange Agreement). This agreement allows APS employees to apply for vacancies at other agencies that are exclusively open to current and past Federal employees. In short, it grants competitive status to Corporation employees.

JPS Findings: Signing the Interchange Agreement is a significant achievement. Members of the executive team and other senior managers pointed out a number of positive effects that this change will allow:

- It will enhance recruitment of quality staff from other Federal agencies. Previously, applicants were reluctant to accept positions due to the lack of competitive status and the uncertainty of term appointments.
- It eliminates a critical difference that existed between GS and APS employees and should make OHC management easier
- It will make retention of high-performing employees more certain.

JPS Conclusion: The Corporation has obtained an Interchange Agreement.

	New Hires
D&T Observed	Applicants do not Certify their Credentials and Previous Salaries are not Verified.
D&T Options for Improvement	Require Applicants to Certify their Credentials.
	Require Applicants to Provide Evidence of Previous Salary.
	Set Salaries for New Hires Based Upon a Range of Factors.

Require Applicants to Certify their Credentials

Update: Applicants now apply for positions using the automated QuickHire system. QuickHire requires that an applicant check a box stating that the information they are providing is accurate. The statement they must endorse reads:

> "This is a Federal job application system. Providing false information, creating fake IDs, or failing to answer all questions truthfully and completely may be

grounds for not hiring, for disbarment from Federal employment or for dismissal after the applicant begins work. Falsifying a Federal job application, attempting to violate the privacy of others, or attempting to compromise the operation of this system may be punishable by fine or imprisonment (US Code, Title 18, section 1001)."

JPS Findings: An applicant cannot proceed in submitting their information via Quick Hire unless they first click this box. According to a senior official in the OHC, the Corporation has had a case in which an individual was believed to have provided false information. The Corporation obtained legal counsel and confirmed that checking this box would support the Corporation in pursuing action against this individual.

In reviewing a sample of 20 application folders, we found that some Government applicants may also supply the Corporation with an OF612 or SF171 form. These forms also have clauses stating that all information provided by the applicant is true to the best of their knowledge and, by signing, they certify the information is correct.

JPS Conclusion: Job candidates now use the QuickHire system to submit their applications and the system requires that the applicant check a box stating that their information is accurate. We believe this addresses the concern raised by D&T.

Require Applicants to Verify their Salary

Update: It is not a standard practice to request pay stubs or tax statements from applicants from the private sector to verify salary claims.

JPS Findings: In our own examination of job applicant files we found no evidence that pay stubs or W2s are collected. Thus, for applicants coming from the private sector, this means the Corporation is usually relying on the word of the applicant concerning salary. In our review of application folders, we found that about one-third of all Corporation applicants come from the private sector.

It is possible that some hiring officials may be taking it upon themselves to verify salary information. One manager indicated he does this by calling references.

Verification of salary is not an issue with applicants who are already Government employees and who must submit an SF-50 form. This document contains sufficient information to verify salary. Salary information is also available for internal hires.

JPS Conclusions and Recommendations: For new employees coming from the private sector, the Corporation does not regularly request pay stubs or tax statements to verify salary claims. This issue therefore remains open. We recommend that the Corporation:

- Require verification of salary utilizing pay stubs or W-2s when hiring individuals from the private sector.

Set Salaries for New Hires Based Upon a Range of Factors

Update: We reviewed the policy contained in the APS manual on setting salaries for new hires. Authorized hiring officials have the flexibility to set salaries above the minimum entry level for a pay band if justified by other factors. As stated in the manual:

> Pay setting above the entry level of the band may be considered in a case of special qualifications, high academic or professional credentials relevant to the position, salary history, or verified employment offers which justify a higher rate of pay. Other factors Department Heads and managers consider are the current job market, the difficulty encountered in obtaining highly-qualified applicants, the criticality of the position to the Corporation and the level of skill and expertise the selectee brings to the position (Page 17).

JPS Findings: In our review of applicant folders, we found written descriptions of the factors used to evaluate candidates. In the justification letters we found documentation that linked these factors to the identification of the top candidate. Thus, a consideration of multiple factors appears to be integral to the selection decision. In those cases where we found evidence of salary negotiations between the candidate and the Corporation, the rationale that the candidate usually provided was that his or her current salary was greater than the starting offer.

JPS Conclusion: The fact that salary history is perhaps the most important factor used to justify salary above the entry level seems reasonable to us. In addition, the policy allows for explicit consideration of additional factors should the hiring official deem it prudent. The Corporation is meeting the requirement.

	Compensation
D&T Observed	The APS is "Oversold" During Recruiting, and there is Insufficient Funding for Salary Adjustments/Rewards.
D&T Options for Improvement	Clarify Recruiting Guidelines in Writing.
	Make Budgeting for Sufficient Salary Increases a Priority.

Clarify Recruiting Guidelines in Writing

Update: We found no written guidelines on how hiring officials should communicate expectations for salary increases, bonuses, and the possibilities for promotion to applicants. This information is also not discussed in the APS Handbook.

JPS Findings: There are still issues of inaccurate pay expectations among new hires. Our survey found that, of 117 employees and managers hired since January 1, 2003, only 27 percent agreed that they were given accurate information on the chances of pay increases at the Corporation.

JPS Conclusions and Recommendations: There is no written guidance on how a hiring manager should communicate this sensitive information to job applicants. We recommend that the Corporation

- Determine how it wants hiring officials to address the topic of salary increases, bonuses, and promotion opportunities with job applicants and provide guidance to hiring officials.

Make Budgeting for Sufficient Salary Increases a Priority

Update: The Corporation hopes to gain support for additional funds as a result of the findings and recommendations in the 2005 NAPA report on the Corporation. The amount of additional funds that will be available is uncertain at this time, pending Federal budget approvals. The Corporation had $300,000 available for performance incentives funded in 2005 (for FY 2004 performance) and expects this number to grow to more than $500,000 for 2006 and to continue to increase in 2007.

JPS Findings: In most interviews we conducted with members of the executive team, there was a recognition that the Corporation should actively pursue a strategy to increase funding available for salary increases and incentives. There is a keen recognition that, without additional funds, it will be almost impossible to manage the APS as a real pay-for-performance system. There are differences among the executive team in the expectation for increased funding and the actions that the Corporation should take if new funding does not become available.

JPS Conclusion: Funds for performance incentives have increased and this is expected to continue; therefore, the Corporation is appropriately addressing this finding.

	Non-Monetary Rewards and Recognition
New Finding	Employees would Appreciate More Non-Monetary Rewards and Recognition for their Work.

Employees would appreciate More Non-Monetary Rewards and Recognition for their Work

JPS Findings: As described during the interviews as well as in the open-ended comments from the survey, Corporation employees are motivated by more than just money; in part, they work "above and beyond" because they are committed to the service they provide. However, survey respondents said they want more recognition for their hard work. Only 22 percent of the survey respondents agreed that the Corporation makes good use of recognition and rewards other than money to recognize and encourage excellent performance.

Some managers use monetary and non-monetary awards and recognition for exceptional employees including cash (bonus and spot awards), and time-off with pay. However, implementation of monetary awards has not always been fully effective. For example, this past year the Corporation made special awards for particularly high achievement, but most employees never heard who got the award or why. There was no broad recognition for the recipients.

Managers have used a variety of non-monetary awards, such as extending personal thanks and asking the CEO to send a personal note of thanks to high performers. In addition, in October 2004 the Corporation had an employee recognition event that was well received and was held again in October 2005.

Survey respondents indicated they would value additional non-monetary rewards and recognition. Many indicated they would like time off with pay, and some suggested a simple note of thanks, indicating that these practices are not widespread. A sampling of other awards participants would appreciate includes: recognition at public events, meaningful plaques, communication or a visit from a Corporation dignitary, a quarterly "highly coveted" award, tickets to events, Corporation-branded items such as T-shirts and mugs, flexible work schedules, and team awards such as outings.

JPS Conclusions and Recommendations: There are opportunities for the Corporation to further recognize deserving employees through the use of non-monetary rewards. There are numerous creative strategies that government and private-sector employers have devised for this purpose. We therefore recommend the Corporation:

- Make a concerted effort to better recognize employees through the use of non-monetary rewards.

	Employee Development
New Finding	Employee Training Needs are Not Well Assessed and Used in a Well-Integrated Program of Development.

Employee Training Needs Are Not Well Assessed and Used in a Well-Integrated Program of Development

JPS Findings: The Corporation provides new employee orientation and pre-retirement training. For certain occupations the Corporation also provides technical training needed for certifications and other professional requirements. But, most employees seeking formal training must pursue opportunities outside the Corporation.

For manager training the Corporation now relies on the Supervisor's Desk Reference. A one-time, 360-degree assessment and professional coaching was conducted for all managers/supervisors. Managers and supervisors would like this to continue.

OHC is adding two staff members. A training person has been detailed from OPM and OHC is in the process of hiring a CHCO advisor to oversee workforce planning.

Funding for training remains an issue, although there has been an increase in training funds. The Corporation spent 1 percent of payroll on training in 2005, and plans to step this amount gradually up to 2 percent by 2009. However, present allocations are not fully used because OHC manages training priorities and does not notify divisions of their allocations until January of each year. This is too late for some employees to identify training needs, submit requests, and attend training within the remaining portion of the fiscal year.

There were numerous issues raised on this topic. For example, we were told by employees that:

- Upward mobility is not currently attainable because staff development is handled in an ad hoc way and is not well coordinated.
- There is a pressing need for managerial training (leadership, how to be a manager, budget and project planning) that is standardized and conducted regularly.
- Training is outsourced to different institutions, which results in a scattered understanding of managerial duties and leadership abilities.
- Managers attend programs sponsored by different vendors and learn different approaches to the same underlying leadership theories, resulting in methods that are out of sync and not linked to the Corporation's mission.
- There is no set curriculum for employees who manage grant portfolios.
- Contractors conduct a lot of the training, but the quality of their work is not evaluated.
- New employee training is well done and conducted internally, but offered only sporadically.
- The Corporation needs more succession planning and employee development training.
- The training many employees obtain is often based on what employees would like to achieve, not on Corporation goals, objectives and needs.
- The Corporation spent $26 million on leadership training for professionals, yet that expertise is not leveraged for employees.

Survey respondents indicated concerns about their training opportunities. Only 45 percent of the survey respondents agree that their training needs are assessed, only 46 percent agree that they receive the training they need to perform their jobs, and only 38 percent agree that they receive the training needed to improve their skills.

Two additional concerns were noted. First, employees cited two barriers to training: the availability of skill development opportunities and the time to attend. The second concern raised is that not all managers make the practice of recognizing and thanking their employees for hard work by giving them special projects. We were told that rewarding employees with special projects can be a powerful learning experience and the

Corporation should consider expanding these opportunities to help more people improve their capabilities.

JPS Conclusions and Recommendations: There is an opportunity for the Corporation to make progress in meeting training needs. We recommend that the Corporation:

- Conduct a thorough training needs assessment. It should examine the needs of employees and managers, determine what aspects of the current system are working and which aspects require changing.
- Establish and fund a complete training program that is aligned with the Corporation's strategic plan.

IV. Performance Management

	Performance Management
D&T Observed	The Performance Management System is not Viewed as Valuable, and There is no Direct Tie to Compensation/Rewards.
D&T Options for Improvement	Redesign the Performance Management System with Multiple Levels.
	Make Managers Accountable for Employee Development.
	Link Compensation Decisions to Performance.

Redesign the Performance Management Plan with Multiple Levels

Update: OHC has recently implemented a five-level Manager Appraisal System (MAS). OHC is now in the process of implementing a similar five-level Employee Appraisal System (EAS). In developing the MAS and EAS, OHC followed a collaborative process, which incorporated support from external sources, as well as involving managers and employees.

JPS Findings: We agree with the comments made by one senior official that the ultimate goal in a pay-for-performance system should be to align institutional, divisional and individual performance, which is then linked with merit pay. Employees are not currently held accountable for institutional and divisional performance. The strategic plan should cascade down to the divisional plans and ultimately to the employee work plans so that, if the Corporation is not meeting its strategic goals, the responsible parties can identify needed changes and employees can understand how their job and performance connects to the mission.

The MAS was implemented on July 1, 2004. At the time of our field work the EAS was in draft form and had been circulated for review. Since the plans were in different stages of implementation, our findings on the plans are presented separately.

MAS Findings

Many managers stated that the Corporation is making progress and believe it will eventually be possible to have an effective pay-for-performance system, but they still have significant concerns. Issues raised by managers in the interviews and focus groups relate to the alignment of the strategic plan with the performance appraisal system, the rating process, perceived inequities, and training.

Strategic plan and performance appraisal system alignment

There is confusion about the current MAS and the relationship between the appraisal system and the work plans. Managers do not understand how the competencies integrate within their work plans, and specifically how the competencies relate to their particular work.

The competencies in the MAS are grounded in research and were vetted by the Executive Team. However, one of the employees on the team that developed the MAS said that, after one performance review cycle, the MAS appeared to not really fit the Corporation's needs because the work at the Corporation does not match well with MAS competencies. Managers also said that the competencies are too focused on Senior Executive Service (SES)-style core competencies, noting that not every manager is at the SES level. These SES competencies may be good for very senior managers, but stated they may not be appropriate for all Corporation supervisors or managers.

Directly related to the alignment between the employee work and the competencies is the effectiveness of the work plans – the vehicle used to relate employee work to the competencies. Work plans are not required under the MAS even though, as described above, it is essential that the strategic plan be aligned with all work plans. In a review of a sampling of MAS work plans, we identified three types of work plans in effect:

- *One-Page MAS Work Plan.* This plan is loosely aligned with the agency and division strategy, but there is no detail describing what employee work is important or how that work relates to agency goals. No competencies are shown.

- *Sample 2005 MAS Work Plan.* While this plan is detailed in terms of work required and describes division goals, there is no direct alignment between the work and the competencies on the appraisal form. No competencies are shown.

- *Field Liaison 2005 MAS Work Plan.* This plan also functions as the appraisal form. It is organized by competency and, for each, shows the task and level of work (rating standard) required for the respective three rating levels. See Appendix A for an example of the competencies and the respective standards.

The different work plans can be categorized into two groups. The first shows little relationship between the work plan and competencies (the One-Page MAS Work Plan and the Sample 2005 MAS Work Plan) and may require substantial manager time each year to develop clear and objective ratings.

By contrast, the Field Liaison Work Plan also functions as the appraisal evaluation form. There is a direct one-to-one relationship between work and competencies, and it shows standards of performance (discussed below). The other work plans show none of these characteristics. The annual rating process is a simple matter of checking the appropriate box and writing relevant narratives. Further, having a direct relationship between the performance elements/objectives and the work plan reduces the level of subjectivity in assigning ratings and increases the likelihood that employees will see the link between their work and performance ratings. However, there is substantial up-front work required to develop this work plan.

The two categories of work plans are related to supervisors' perceptions of the fairness of the performance appraisal system. Most survey respondents tend to agree that their performance appraisal is a fair reflection of their performance (64 percent), a slight deterioration from the OPM survey in 2004 (68 percent). However, when analyzing responses to the same question by supervisors on the two different types of work plans, there is a significant difference. Even before using their form for a full rating year, the Field Liaison managers believe their performance appraisal is a fair reflection of their performance (77 percent), whereas managers using other plans do not (50 percent).

Rating Process – Our review of the respective systems suggests that some of the processes are unclear.

- *Weighting Competencies.* The MAS indicates that each competency/objective must be considered when developing the element rating, but there is no indication of how to do this, nor is there any requirement to record the differential weighting in the initial work plan (so the employee has advance notice) or the final appraisal.

- *Second-Level Review.* The MAS makes a second-level review optional; managers requested that it be mandatory.

- *Some Competency Descriptions are Absolute.* The MAS does not describe the level at which the competencies are written. If they are written at the level of Fully Successful, many competencies are defined in such a way as to allow for little or no apparent opportunity for an employee to achieve a higher rating.

Perceived Inequities – There is a prevailing perception of inequities in the MAS related to objectivity and a perception of the use of quotas.

- *Objective Competencies and Performance Standards.* Many managers and employees raised concerns about rating objectivity and consistency. There were three types of concerns: the need for objective performance standards, inconsistent baseline standards across the Corporation for the different levels of performance, and the vagueness of many of the competencies.

  Objective Performance Standards. We found no indication of whether the competencies were written to a specific performance standard (e.g. Fully Successful). Literature indicates that an effective appraisal system should include behavioral or outcome based (products or services delivered) performance standards (Folger, Konovsky & Cropanzano, 1992; OPM, 2001).

  In addition, there is no one-to-one link between the work plan and the competencies. Therefore, managers outside the Field Liaison group must

evaluate and rate each competency in terms of many relevant work tasks, a process which may increase subjectivity.

- *Baseline Performance Standards.* Departments are isolated and, therefore, managers (high performers versus minimum performers) across the Corporation have significantly different views of baseline performance standards. We were told that this past year some groups were penalized because their performance was rated Fully Successful (FS), whereas managers in other departments rated the same or less performance FS+. Also, within one department the manager and supervisors had very different criteria for rating the levels of performance for employees in their group.

  This disparity could be addressed by having common, agency-wide understanding and language/process to describe the agency's expectations. For example, in a three-tier system, there could be a common understanding of standards for level of customer service at the middle (Fully Successful) or all three rating levels (Fully Successful + (FS+), Fully Successful (FS) and Fully Successful – (FS-). How customer service is described in terms of behaviors or outcomes for specific jobs could then vary across departments.

- *Competencies are vague and subjective.* Managers reported that many of the MAS competencies are too generic and that the measures are not objective, so interpretation of the competencies may vary throughout the organization.

- *Perceived Implied Quotas.* Some managers are concerned that the budget available for awards/adjustments may be driving the number of people rated Outstanding (O) and Exceeds Fully Successful (EFS). For example, a provision in the MAS anticipates that a small percentage of managers will be rated O and EFS. The compensation guidance says that, to be eligible for a bonus or a merit increase, managers must be rated O or EFS. Therefore, managers are left with the sense that if there is available money for only three percent of the total employees to receive an increase, then the result is to effectively dictate how many high ratings can be given. OHC said unconditionally that the Corporation does not contemplate quotas on FS+, FS and FS-. If a manager is FS+ on all five elements, he or she is eligible for an outstanding summary rating.

Training – Interviews suggest that managers/supervisors need information on how to hold their employees accountable for their responsibilities, as well as how to be open and honest in setting expectations and in their write-ups and feedback so that they give employees time to improve. They also need help in identifying and documenting both poor and good performance.

In addition, review of a random sampling of MAS appraisals for 2004 indicates that managers differ widely in what they write for their narratives. Some managers write only a few broad statements for each element and others write extensively. In some instances the comments relate to the respective objective/competency, but they do not necessarily align with the ratings.

EAS Findings

At the time of our field work, the plan was to implement the EAS effective October 1, 2005. The plans include training for managers and employees, and a requirement to conduct the first mid-year ratings as a full-scale review of performance. OHC anticipates that this process will provide an opportunity to identify any issues that require resolution before the first official year-end rating, scheduled to commence September 30, 2006.

JPS reviewed the draft Manager Guidance for the EAS dated August 2, 2005, and the draft appraisal form dated August 4, 2005. The following comments are based upon that review and comments from managers who had reviewed EAS working drafts.

- *Calibration Meetings*. The proposed EAS defines calibration meetings as a formal mechanism for managers to discuss the performance level ratings. However, there is no description of when these should occur, how often, who should participate, or the expected outcome.

- *Weighting Competencies*. Similar to the MAS, we found no description of the process to weight competencies or requirements to notify employees of this intention at the beginning of the appraisal year.

- *EAS Competencies*. The EAS competency descriptions on which supervisors are to rate employees are written at the Fully Successful level; however, many competencies are defined in such a way as to allow little or no apparent way for an employee to achieve an FS+ rating. Also, some competencies do not indicate behavioral or outcome based expectations. Courts have ruled in favor of plaintiffs when agency performance standards are found to be vague, subjective, and absolute (Malos, 1998; Johnson v. Department of Interior).

- *Draft EAS Work Plan.* The draft form shows each work task and the respective relevant competencies. Because any one competency may relate to many tasks, there is no apparent way to directly link the competency rating to specific work performance, which may increase rating subjectivity.

<u>JPS Conclusions and Recommendations</u>: The Corporation has designed and developed two five-tiered appraisal systems – the MAS has been in place for over a year and the EAS is currently in the process of implementation. Interviews with managers and review of the systems suggest some areas to be addressed. We recommend the Corporation:

- For the MAS and EAS:

    - Review and clarify procedures, and provide additional training where necessary.
    - Evaluate ways to more directly link work plan performance with competency ratings
- For the MAS:
    - Review work plans and associated competencies to better align the organization's strategy with the appraisal measures.
    - Evaluate ways to increase rating objectivity and consistency using performance standards.
- For the EAS,
    - Evaluate the competencies to ensure they reflect performance standards at the level of Fully Successful that include behavioral/outcome expectations. See to it that they are written in such as way as to provide room for improvement.

Emphasize Employee Development in the Performance Appraisal Process.

Update: The MAS and the proposed EAS both suggest that one of the responsibilities of raters is to consider training and developmental opportunities for employees.

JPS Findings: Managers say that they hold their supervisors accountable for staff development, but there is no process in place to ensure this takes place. Presently, the only MAS objective that could be considered relevant is "Human Resources Management: Recruits, retains and *develops* the talent needed to achieve the goals and objectives of the organization and work groups" (emphasis added).

JPS Conclusions and Recommendations: One effective way to hold managers accountable is to explicitly include this duty in the MAS performance appraisal system. We therefore recommend that the Corporation:

- Develop a manager competency that creates specific accountability for employee development. Include manager behaviors/outcomes and performance standards.

Link Pay and Performance

Update: The Corporation published guidelines for FY 2004 bonuses and pay adjustments. They state that managers must be rated O or EFS to be eligible for a bonus or pay adjustment. These guidelines therefore link ratings and salary increases with performance awards for managers. Performance and compensation will not be linked under the EAS for at least two years.

JPS Findings: Survey respondents indicate that the link between pay and performance is perceived to be very weak. Only 29 percent of the survey respondents agree that salary increases are based upon merit, 31 percent don't know, and 40 percent do not believe that salary increases are based on merit. There is a significant difference between the responses of supervisors and non-supervisors regarding whether they understand the

criteria for granting performance bonuses and salary increases. Both rated the process low, but supervisors had a better understanding.

Table 3. Decisions Related to Bonuses and Salary Increases

	Agree & Strongly Agree		
	Overall	Supervisor	Non Supervisor
Understand the criteria for awarding performance bonuses	39%	58%	33%
Understand the criteria for granting salary increases	33%	49%	27%
Decisions related to salary increases are made on merit	29%	43%	25%
* Statistically significant p=<.05			
** Scale: Strongly Disagree=1, Strongly Agree=5			

The data for MAS ratings for Fiscal Year 2004 tell part of the story. There is a general pattern that employees who are rated EFS and O receive bonuses and pay adjustment. However, contrary to guidelines, 1 person with an FS rating received a bonus. In addition, only 6 of 11 people rated O received an award.

Table 4. Summary of 2004 Compensation Awards for MAS Ratings

	Fully Successful N=56	Exceeds Fully Successful N=46	Outstanding N=11
Only Bonus	1	16	6
Only Pay Adjustment		12	
Both Bonus and Pay Adjustment		1	

Ultimately, some employees perceive that, rewards vary by manager and employees get pay increases due to favoritism. In addition, bonuses are distributed long after appraisals are completed – this past year employees completed appraisals in October but were not informed about bonuses until February. Employees saw no contemporary association between their performance rating and their cash awards – leading to a perception of "cooked books."

We were told that the criteria managers use for making awards can vary across the Corporation: some allocate bonuses/adjustments based on exceptional performance for the current year, while others consider past awards, some consider diversity, while others consider pay equity.

JPS Conclusions and Recommendations: At the present time there is only a weak link perceived between pay and performance. Improvements to the performance system can help address this issue. We recommend the Corporation:

- Monitor performance awards (salary adjustments and bonuses) to ensure they are supported by performance appraisals.

V. Diversity

	Equal Opportunity
D&T Observed	African-Americans, some women, and other minorities feel they are treated differently than whites.
D&T Options for Improvement	Reinforce Policy of No Discrimination.
	Establish a Diversity Program.
	Conduct a Detailed Equal Employment Analysis.
	Ensure EEO/Adjudication Process is Timely, Fair and Objective.

EEO Climate

JPS Findings: Based upon the results of our survey, interviews, and focus groups it appears that many African-Americans, minorities as a whole, and women continue to feel they are treated differently than non-minorities.

African-Americans/Minorities Compared to Whites. Our survey found that African-Americans (as well as minorities as a group) are more likely than whites to believe that:

- Personnel decisions are made on an ad hoc manner rather than following written procedures.
- Outsiders are hired rather than promoting from within.
- Their supervisor lacks sensitivity with minorities.

Furthermore, African-Americans (and minorities) are less likely than whites to believe that:

- Hiring decisions are made on the basis of merit.
- If you work hard and do a good job you can advance in your career.
- Decisions on salary increases and promotion are based upon merit.
- Performance appraisals are a fair reflection of one's performance.
- Information is shared openly.
- The Human Capital office resolves employee concerns in a fair manner.
- The Corporation as a whole or management in particular treat employees fairly.
- The Corporation values diversity and that positive changes have occurred over the last two years.
- They can disclose a concern about diversity without fear of reprisal.
- Conflicts related to diversity are resolved and not allowed to get worse.

Table 5 presents this information for several of the items in which minorities and African-Americans had the largest differences compared to whites.

Table 5. Items in which African-American and Whites Rated most Differently

	Item	Minorities		African-Americans		Whites	
		% Strongly Agree or Agree	% Strongly Disagree or Disagree	% Strongly Agree or Agree	% Strongly Disagree or Disagree	% Strongly Agree or Agree	% Strongly Disagree or Disagree
1	Most hiring decisions are made on the basis of merit	34	38	27	40	55	18
2	CNCS too often brings in outsiders instead of promoting from within	48	16	50	13	27	38
3	If you work hard and do a good job you can advance in your career	21	53	19	54	34	37
4	Decisions on salary are made on the basis of merit	22	49	18	51	34	33
5	Decisions related to promotions are made on the basis of merit	22	48	17	51	36	30
6	Everyone gets a fair chance at promotion and advancement opportunities	15	60	12	66	27	41
7	Overall, I am treated fairly by the Corporation	49	27	43	29	71	15
8	I think the Corporation values diversity in the workplace	36	36	29	41	75	9
9	I have seen positive changes related to diversity in the past 2 years	34	34	29	40	33	12
10	I can disclose a concern about diversity without fear of reprisal	30	27	24	32	49	13
11	Overall I am treated fairly by managers in my department	62	22	61	23	79	11

In combination, the items in Table 5 suggest that minorities as a whole, and African-Americans in particular, continue to feel they are less likely to receive rewards, advance in their careers, and to be safe disclosing a concern.

In individual interviews and in a focus group we heard numerous accounts of acts of discrimination including harassment, failure to aggressively pursue EEO complaints, and not having a fair shot at promotions.

We included some items in our survey that were also used by D&T in its survey. This time we found a greater percentage of minorities agreeing with them.

- Overall, I think I am treated fairly by managers in my department (D&T 53 percent, JPS 62 percent).

- Overall, I think am treated fairly by the Corporation as a whole (D&T 34 percent, JPS 49 percent).
- I think the Corporation values diversity in the workforce (D&T 27 percent, JPS 36 percent).

There are two explanations for these results. One is that minorities feel better about their treatment than before. While this is certainly possible, we did not hear the kinds of comments from African-Americans in our focus groups that lead us to believe this represents the whole story. Instead, when we asked participants to indicate if things had changed, we tended to be told that no real changes had occurred.

Another reason for the apparent improvement in the three survey items could relate to the way D&T administered its survey. D&T may not have obtained as random a set of respondents. It appears that D&T only asked individuals that participated in their focus groups to complete their survey. What is unknown is the extent to which minorities who attended these sessions tended to have more negative feelings than did minorities in general. In at least one session, D&T specifically invited a group of African-Americans that had strong feelings to a focus group.

Women Compared to Men. In many respects, we found that the profile for women at the Corporation is similar to that of African-Americans and minorities in general. This, too, is consistent with the observations reported by D&T. We found that women are more likely than men to believe that:

- Personnel decisions are made on an ad hoc manner rather than following written procedures.
- People in the unit doing the same work are paid substantially different amounts.
- Their supervisor lacks sensitivity with women.
- Their supervisor lacks sensitivity with minorities.

We also found that women are less likely than men to believe that:

- Everyone in the unit is working toward the same goals.
- They were given accurate information about their chances for pay increases when hired.
- Hiring decisions are made on the basis of merit.
- If you work hard and do a good job you can advance in your career.
- Decisions on salary increases and promotion are based upon merit.
- Their management treats them fairly.
- The Corporation values diversity and positive changes have occurred over the last two years.
- They can disclose a concern about diversity without fear of reprisal.
- Conflicts related to diversity are resolved and not allowed to get worse.

The data in Table 6 compares ratings between those women and men who took a position on an item (i.e., those choosing either strongly agree, agree, disagree, or strongly disagree).

Table 6. Items in Which Women and Men Rated Most Differently

	Item	Women		Men	
		% Strongly Agree or Agree	% Strongly Disagree or Disagree	% Strongly Agree or Agree	% Strongly Disagree or Disagree
1	Everyone in the unit appears to be working toward the same goals	67	23	76	12
2	I was given accurate information on the chances for pay increases when hired	27	55	55	20
3	If you work hard and do a good job you can advance in your career	26	50	33	34
4	People in the unit doing the same work are paid substantially different amounts	57	14	42	19
5	Decisions related to promotions are made on the basis of merit	26	42	37	30
6	Everyone gets a fair chance at promotion and advancement opportunities	16	57	31	37
7	I can disclose a concern about diversity without fear of reprisal	35	21	51	14
8	Harassment is not tolerated in my work unit	71	12	86	4
9	Conflicts related to diversity are resolved and not allowed to get worse	40	15	59	3

As the first item in the table shows, about two-thirds of women (67 percent) agreed with the statement that everyone works towards the same goal. While this is a fairly high percentage, it nevertheless is lower than the number we calculated for men (76 percent). In another example (the 4th item in the table), 57 percent of women agreed that employees in their unit doing the same work are paid differently. This compares to 42 percent of men. As with African-Americans and minorities in general, we found that relatively few women (35 percent) felt they could disclose a concern about diversity without fear of reprisal.

In summary, the survey results indicate female employees are less sure than men that everyone is working toward the same goals. They are also more skeptical that promotions and compensation are based upon merit. Finally, they are less sure that diversity issues are being handled in an appropriate manner. In many respects these perceptions mirror those of African-Americans and minorities as a whole.

JPS Conclusion: Many African-Americans, minorities as a whole, and women continue to feel they are treated differently than non-minorities.

Reinforce a Policy of Non-Discrimination

Update: The Corporation has a clearly worded policy against discrimination entitled Civil Rights and Workforce Diversity Policy. This policy was issued in 2005 and all employees were notified of it by e-mail.

JPS Findings: The policy clearly states that the Corporation is committed to treating everyone with dignity and respect and providing a work environment free of sexual, racial, ethnic, religious, or other harassment. It states that employees will be subject to disciplinary action if they violate this policy. It provides instructions on how to raise concerns should one feel they are not being treated fairly.

JPS Conclusion: The Corporation has issued a clear policy against discrimination. It was sent to all employees and appears on the Corporation website. We consider it to be well written and complete.

Establish a Proactive Diversity Program

Update: The Corporation has taken some actions in recent years to raise awareness and identify barriers to inclusiveness. These actions include a new non-discrimination policy, establishment of the Diversity Advisory Council (DAC), a speaker series, and 360-degree feedback and coaching for managers.

JPS Findings: In March 2004 the Corporation held its first meeting of the DAC. The DAC appears to be the centerpiece of the Corporation's diversity program and includes a broad representation of employees. Its goal is to foster discussion on diversity and what it means to the Corporation. It is charged with making recommendations to senior management. One recommendation was that the Corporation ensure that recruitment and promotion programs reach out to all races.

We asked individuals in some of our interviews and focus groups to comment on the DAC. Employees and managers said they are aware of its existence but have not seen much in the way of concrete results. This is perceived as a negative by some, but not all employees. Following are some examples of representative comments:

- There was an introductory meeting in 2004 and nothing has happened since.
- Originally there were about 40 members, but now only 18-19 members. Members have left because nothing is happening.
- The first year was used to organize – the DAC has only been in place for less than two years. It is too early to see real results.

In addition to the DAC, the Corporation began a Diversity Speaker Series in August 2005. This is a causal lunch time event in which speakers focus on a variety of issues on diversity and its role in community service.

The Corporation is now obtaining automated courseware for managers covering responsibilities under the No Fear Act. We were told that the Corporation is also purchasing an instructor-led program called "Civil Treatment" that will be rolled out to managers in about three months. This program is offered by Employment Learning Innovations, Inc. A review of its website indicates the Civil Treatment program covers such topics as harassment, discrimination, a manager's duty to act, retaliation, employee accommodations, and fair hiring, selection, and promotion.

EEO issues continue to be routinely covered as part of new employee orientation.

JPS Conclusions and Recommendations: The Corporation has taken some new actions to raise awareness and identify barriers to inclusiveness. The center piece is the creation of the DAC. Other actions include a Diversity Speakers Series and a 360-degree feedback and coaching intervention with managers. While we consider these positive steps, we recommend the Corporation:

- Go further with its diversity program by identifying more specific goals, developing action steps, creating measures, and committing resources to enable a more proactive program. Areas in which a more proactive diversity program could focus include recruitment of minorities, raising the skills of the existing workforce, creation of career ladders and other types of career development programs, and addressing the non-supportive behaviors of certain managers.

Conduct a Detailed EEO Analysis

Update: The Corporation has yet to complete a full EEO analysis to determine if differences exist in hiring, compensation, promotion, and disciplinary actions as a function of gender or racial/ethnic status. Last year, the Equal Employment Opportunity Commission (EEOC) mandated that all Federal agencies conduct such an analysis on an annual basis as part of completing its form MD 715. However, the Corporation was unable to complete these analyses in 2004. OHC anticipates completing them for 2005.

JPS Findings: The 2004 data we obtained from the Corporation allowed us to conduct some compensation analyses. Specifically, we were able to compare monetary awards for APS minorities and whites. In these analyses we defined awards as funds paid to employees explicitly labeled as bonuses as well as any funds given as a pay adjustment. In the reminder of this section we use the word "award" to include both bonuses and pay adjustments.

We began by counting the number of employees who received an award. Thirty-eight percent of minorities received awards, compared to 41 percent of whites. Among minorities, 50 percent of Asians received an award, followed by 46 percent of Hispanics and 36 percent of African-Americans.

Next we examined the average size of awards. Overall, the average amount going to white employees exceeded that of African-Americans (and minorities in general) by

about $200. The largest differences are those in the NY1, NY3, and NY4, and NX1 pay bands.

Among those receiving an award, the average size differs for African-Americans (and minorities in general). The average bonus for African-Americans was $339 less than that for whites. The average bonus for minorities as a group was $253 less than for whites. The differences favored whites in all pay bands except NX1.

JPS Conclusions and Recommendations: The Corporation has not yet completed a full EEO analysis to identify possible barriers to improving the EEO climate.

- We recommend the results of the EEO analysis be given careful consideration and be used to determine possible EEO barriers. Some of the findings may also serve to evaluate the success of the Corporation's diversity program. We identified two areas in particular that the Corporation should investigate further. One area concerns bonuses and pay adjustments paid to minorities as compared to whites. In 2004, minorities, on average, received less money than did whites. At a minimum this finding could put a greater burden on the Corporation to implement a high-quality performance appraisal process as soon as possible and directly link it to monetary awards.

- Special assignments are often used to develop the skills of employees and position them for advancement in the organization. We recommend that the Corporation develop a method to better track such assignments and ensure that they are made available on an equal basis to all employees.

Ensure the EEO/Adjudication Process is Timely, Fair, and Objective

Update: The Director of OCRI told us that the number of EEO claims has been reduced over the past few years and that the adjudication process is now timely.

JPS Findings: The best source of data we were able to find on this subject appears on the Corporation's No Fear website. Beginning in 2003 the No Fear Act required that Federal agencies post the following information on their public website:

- Number of complaints filed with the agency
- Number of complainants
- Number of multiple filers
- Breakdown by basis
- Breakdown by issue
- Average processing time for each step of the process
- Number of complaints dismissed/pending before dismissal
- Number of final agency actions involving finding of discrimination

The data supports the conclusion that the number of new complaints being filed each year has decreased. In FY 2002 the number of new complaints was 13, in FY 2003 it was 10, and in FY 2004, it was 3.

The Corporation had been carrying over a sizable number of complaints from previous years (i.e., 21 in FY 2002, 24 in FY 2003, and 22 in FY 2004). However, as of 2004, the Corporation has been making progress in closing many of these complaints.

The Corporation reports an improvement in the number of complaints where investigations were not completed within the time required under CFR 1614.106. There were three in FY 2002, two in FY 2003, and one in FY2004.

An examination of the types of complaints suggests that, between FY 2002 and FY 2004, the majority concerned harassment, pay, terms/conditions of employment, promotion/non-selection, and assignment of duties.

In our survey we asked some questions to gauge employees' perceptions and experience with the OCRI. Nearly two-thirds of respondents (63 percent) agreed with the statement, "If I have an EEO concern, I can bring it to the OCRI." About one-third (31 percent) had no opinion (chose neither agree nor disagree) and only 6 percent disagreed.

We asked employees if they had actually raised an EEO concern with OHC or the EEO office. We found that 1 out of 12 employees (8.1 percent) in the Corporation had done so. To the question, "When did you raise your concern," almost half (47 percent) had raised it within the past 2 years.

Only 37 percent of those raising an issue felt that their concerns were taken seriously and only 24 percent indicated they were satisfied with the outcome. Only 16 percent agreed with the statement, "The support I received from the OCRI was timely, objective, and fair." Most either had no opinion (53 percent) or disagreed (31 percent).

We then compared those respondents who raised their issues in the past (i.e., over 2 years ago) with those that raised their issues more recently (within the last 2 years), it appears that those raising issues now feel their concerns are being taken more seriously (53 percent recently feel this way versus 33 percent in the past). We did not find, however, that those raising concerns now are more satisfied with the outcome. Finally, we found a slight increase in agreement with the statement that that the OCRI was timely, objective, and fair by those who recently raised a concern compared to those who raised their concern in the past (20 percent versus 17 percent).

<u>JPS Conclusions</u>: The number of new complaints has been reduced in recent years, there has been some progress in closing complaints carried over from previous years, and the Corporation is generally completing investigations within the required time frames. In addition, those that have recently raised an EEO concern are more likely to feel their concerns are being taken seriously compared to the past. We have no further recommendations.

	Minority Representation
D&T Observed	While Well-Represented Across the Corporation, African-Americans are more Concentrated in the Lower Grade Levels.
D&T Options for Improvement	Evaluate why African-Americans are Concentrated at Lower Pay Grades.
	Ensure Recruiting Reaches out to Diverse Candidates.
	Ensure Employees have Realistic Job Expectations.
	Encourage Employees to Develop Skills for Higher Level Positions.

Evaluate why African-Americans are Concentrated at Lower Pay Grades

Update: The demographic makeup of the Corporation has not changed in any substantial way since D&T conducted its review.

JPS Findings: As of August, 2005, the Corporation employed 576 individuals, just over 60 percent of whom are women. While the majority of employees are white (60.4 percent) there is a sizeable percentage of African-Americans (30.5 percent). The Corporation employs relatively few Hispanics, Asian/Pacific Islanders, or American Indian/Alaska Natives.

Table 7. The Corporation Compared to the Federal Government

	Corporation		**Federal Government**
	2005 (N = 573*)	2002 (N=603)	Sept 30, 2003**
Female	61.8%	61%	45%
Male	38.2%	39%	55%
White	60.4%	62%	69.9%
African American	30.5%	30%	17.0%
Hispanic	4.2%	5%	7.1%
Asian/Pac. Islander	4.5%	4%	4.8%
Amer. Indian/Alaskan	.3%	.3%	2.1%

* Data on race not available for 3 individuals in the 2005 data.
** Source: OPM Factbook – most recent data available.

As shown by the last column in Table 7, the Corporation employs a substantially higher percentage of women and African-Americans and a somewhat lower percentage of whites, Hispanics, and American Indian/Alaska Natives than does the Federal Government as a whole.

Table 8 provides information on the percentage of employees by type of appointment. The major story here is the large percentage of employees who have switched from APS Term and GS appointments to APS General appointments. At the time of this report, nearly two-thirds of all employees are now APS General appointments.

Table 8. Corporation Staff by Type of Appointment

	Appointment Description	Corporation Staff	
		2005	2002
APS Term	1-5 year duration	17.5%	61%
GS or GM	Residual GS group from ACTION	13.2%	20%
APS General	Unlimited term	62.5%	13%
APS Discretionary	Serve at discretion of CEO	4.5%	4%
Temporary	Less than 1 year	2.1%	1%
Presidential	Appointed by President	.2%	.5%

The tables below provide information on the demographic make-up of the Corporation by pay band. Women and minorities continue to be heavily represented in the lower bands. There are generally far fewer minorities and women at the higher bands. The one exception is for women at the NX-2 level. Nearly two-thirds of these individuals are now female.

Table 9. Demographic Makeup by Pay Bands

Band NY – 1 (Clerical/Technical)			**Band NY – 2** (Entry and developmental Admin/Professional, Senior Technician)		
	2005 (N = 48)	**2002 (N = 73)**		**2005 (N = 120)**	**2002 (N=128)**
Female	83.3%	79%	Female	73.3%	70%
Male	16.7%	21%	Male	26.7%	30%
White	39.6%	49%	White	54.6%	51%
African Amer.	50.0%	40%	African-Amer.	37.8%	38%
Hispanic	2.1%	5%	Hispanic	5.9%	7%
Asian/Pac. Isl	6.3%	5%	Asian/Pac. Isl	1.7%	4%
Am. Ind/Alaskan	2.1%	0%	Am. Ind/Alaskan	0.0%	0%

Band NY – 3 (Full Performance Admin/Professional)			**Band NY – 4** (Expert Professional/Supervisor)		
	2005 (N = 201)	**2002 (N = 181)**		**2005 (N = 67)**	**2002 (N=59)**
Female	64.7%	62%	Female	50.7%	53%
Male	35.3%	38%	Male	49.3%	47%
White	64.3%	67%	White	68.7%	75%
African Amer.	24.6%	24%	African-Amer.	19.4%	15%
Hispanic	5.0%	4%	Hispanic	4.5%	5%
Asian/Pac. Isl	6.0%	4%	Asian/Pac. Isl	7.5%	5%
Am. Ind/Alaskan	0.0%	1%	Am. Ind/Alaskan	0.0%	0%

Band NX – 1 (Manager)			Band NX – 2 (Executive)		
	2005 (N = 38)	**2002 (N = 28)**		**2005 (N = 18)**	**2002 (N=11)**
Female	23.7%	29%	Female	61.1%	36%
Male	76.3%	71%	Male	38.9%	64%
White	71.1%	75%	White	88.9%	91%
African Amer.	26.3%	21%	African-Amer.	5.6%	0%
Hispanic	0%	0%	Hispanic	5.6%	9%
Asian/Pac. Isl	0%	0%	Asian/Pac. Isl	0%	0%
Am. Ind/Alaskan	2.6%	4%	Am. Ind/Alaskan	0%	0%

JPS Conclusions and Recommendations: The demographic makeup of the Corporation has not changed in any substantial manner since D&T conducted its review. The recommendations we made to create a more proactive diversity program may improve this situation over time.

Conduct a Study to Evaluate why African Americans are Concentrated at Lower Pay Grades.

Update and JPS Findings: We found no evidence that the Corporation has conducted any type of study addressing this topic.

JPS Conclusions: We believe that the best opportunity to improve minority representation at higher levels in the Corporation is to follow the recommendations made in this report in such areas as recruitment, developing the skills of current minority employees, pursuing a more proactive diversity program, and creating more opportunities for advancement. We do not recommend that a study to evaluate why African-Americans are concentrated in the lower pay grades is necessary.

Ensure Recruiting reaches out to Diverse Candidates.

Update: There is no well-structured, centralized, and integrated process to ensure information on job openings reaches a diverse group of candidates and encourages them to apply. There is no written guidance for the employees involved in the recruitment process.

JPS Findings: Some hiring officials do take the initiative to help OHC determine where to advertise positions. Sometimes the head of OCRI (in his role as head of the DAC) may give recommendations about where to post advertisements. In a more integrated and active program, however, it would make clear the roles and responsibilities that hiring officials, OHC, and the DAC should each play.

JPS Conclusion and Recommendation: We did not find any centralized, well-structured process to ensure information on job openings reaches a diverse audience.

- We recommend that such a program be developed and adequately funded.

Ensure Employees have Realistic Job Expectations.

Update and JPS Findings: We did not find any evidence that the Corporation has taken steps to ensure employees have realistic expectations about advancement.

JPS Conclusions and Recommendations: We recommend that the Corporation:

- Invest more effort in developing career ladders, upward mobility programs, and other means to help internal candidates become better qualified for openings at the Corporation. Such enhanced avenues for advancement will give employees more realistic expectations, as well as a clear defined method for advancing their careers.

Encourage Employees to Develop Skills for Higher Level Positions

Update: We did not find much evidence of upward mobility programs or other initiatives that would help ensure minorities develop their skills for higher-level positions.

JPS Findings: We were told by employees that one important way to gain new skills at the Corporation is by working on special assignments. What is not known is whether minorities are given an equitable chance of obtaining such assignments. There has not been an examination of how such assignments are made and how they can be used to support the development of employee skills.

JPS Conclusions and Recommendations: We found little evidence of any formal programs or initiatives to help minorities gain new skills. We recommend that the Corporation:

- Determine ways to provide minorities with access to upward mobility programs; special assignments; and training, coaching, and mentoring.

	Equal Employment Structure/Process
D&T Observed	There are unclear Roles/Responsibilities Across OHC, EEO and OGC that add to EEO Discord.
D&T Options for Improvement	Have EEO and OHC Report to a CHCO.
	Clarify Roles of OHC and OGC.
	Clarify Steps and Responsibilities in the EEO Process.
	Training Managers on their Responsibilities.

Have EEO and OHC Report to a CHCO

Update: OCRI and OHC now report to a CHCO

JPS Findings: Our interviews with the head of OCRI suggest there is a productive relationship between OCRI and OHC in the new structure.

In addition to reporting directly to the CHCO, the OCRI now has a dotted line responsibility to the CEO. This was intended to provide a better opportunity for the OCRI to work directly with the CEO on diversity issues. One of the ongoing challenges for the OCRI office, however, is working toward an effective relationship with both the CHCO and CEO while maintaining confidentiality on EEO complaints

JPS Conclusion: The Corporation has made satisfactory progress in this area.

Clarify Roles between OHC and OGC

Update: Based upon our interviews, we believe the roles among these offices are generally clear.

JPS Findings: We attempted to obtain functional descriptions for the OHC, OCRI, and OGC offices. Despite making requests, we were not able to obtain them. Thus, we are not in a position to comment on how well the roles and responsibilities among these offices have been formally divided.

But we also did not hear of any issues due to unclear roles. As one interviewee stated, "You are always going to have issues between those three offices (OCRI, OHC, GC) but now we come together and air things out."

JPS Conclusion: The Corporation has created a CHCO position and restructured reporting relationships. These actions appear to have had the desired effects.

Clarify Steps and Responsibilities in the EEO Process.

Update: There are several avenues for employees to learn the steps in the EEO process

JPS Findings: We identified four ways the Corporation now helps employees understand and follow the EEO process. First, employee orientation includes information on EEO compliance. We were told that the specific milestones in the process are covered at this time. Second, OCRI has held general training on the topic. Third, we were told that the Corporation has been updating its website to try to have a more transparent process. Finally, employees with an issue can approach OCRI, which will provide them detailed information about what they must do and the timing to successfully move a complaint to the next phase. We did not hear in our interviews or focus groups that employees were confused about the steps and responsibilities in the EEO process.

JPS Conclusion: We feel that the steps to file and pursue a complaint are clear and generally well communicated to employees and we have no further recommendations.

Train Managers on Their Responsibilities.

Update: There is no well-developed program to train managers on their EEO responsibilities.

JPS Findings: The Corporation previously provided instruction on ethics and EEO responsibilities as part of a supervisor orientation course. However, this course has not been delivered for some time. We talked with supervisors that had held supervisory positions for more than 18 months who had not received any formal training.

There are plans are for managers to take an automated course covering the No Fear Act and an instructor-led course entitled, "Civil Treatment."

JPS Conclusions and Recommendations: There is no active training program in place to ensure managers gain the knowledge and skills they need to effectively perform their EEO responsibilities. The Corporation's plans to provide two new courses may meet the Corporation's immediate need to provide managers with the necessary knowledge and skills. We recommend that the Corporation also:

- Resume regularly scheduled orientation training for new supervisors.
- Consider over the long term what full program of training is needed to help employees move into supervisory and management positions and integrate diversity and EEO training into such training where it is most appropriate.

VI. Communication

	Internal Communications
D&T Observed	Managers and Employees feel they do not Receive Sufficient Communication.
D&T Options for Improvement	Establish a Proactive Internal Communications Program that Provides Employees Accurate and Timely Information Including Political and Budgetary Information and have one Person Coordinate Internal Messages.

Establish a Proactive Internal Communications Program that Provides Employees Accurate and Timely Information Including Political and Budgetary Information and have one Person Coordinate Internal Messages.

Update: Internal communications are handled in several ways. OHC and the Office of Public Affairs (OPA) send out their own briefings, and each Executive Team member is responsible for communicating information related to their program. The OPA primarily distributes the National Service News, press releases, announcements, and Chief Executive Officer (CEO) messages, as well as information related to budget. In addition, OHC publishes two e-newsletters: the HC Update is sent to all employees bi-monthly, and the Advisor, which commenced publication July 11, 2005, is sent monthly to all managers. Also, the CHCO hosts quarterly talks or "CHCO Chats." Written minutes of the CHCO Chats are available on the Intranet and OHC is now evaluating making audio recordings available. OHC also makes special announcements as needed.

JPS Findings: The Corporation has greatly improved communication to the staff. However, neither OPA nor OHC has a written communication plan for the dissemination of information to employees and managers. OPA does have a communication plan for public affairs and individual events (which includes communication to Corporation employees). Prior to this structure, employees often received news from external news sources.

Survey respondents agreed that they receive valuable information related to human capital (77 percent), relevant congressional activities (73 percent) and Corporation policies 69 percent). However, fewer respondents agree that they receive valuable communication from the executive team (49%). Senior managers told us they receive sufficient information but managers below that level and employees indicated frustration with the timeliness and effectiveness of communications. Part of the reason may be that senior managers sometimes share information only on an ad hoc basis as they see employees or talk to them about other topics.

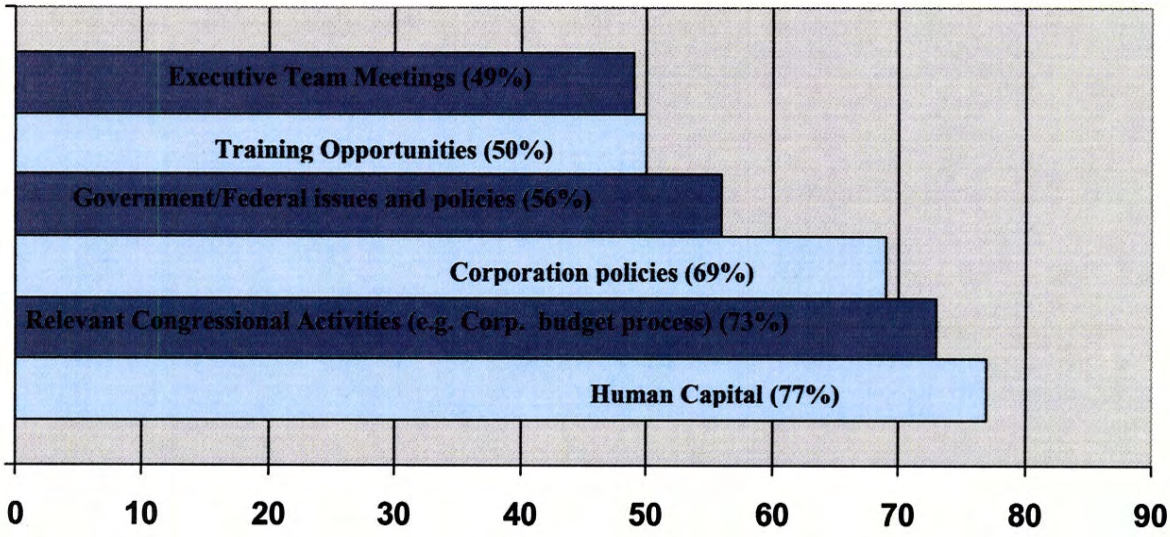

Figure 1. Areas in which Employees Receive Valuable Information

With respect to OHC communication, 70 percent of the employees agreed they prefer receiving communication via the HC Update. Managers and employees had varying opinions about the CHCO Chats. The frequency has reduced from bi-monthly to quarterly due to decreasing participation. Employees indicated the CHCO Chats have helped to establish a common language and start discussions while others feel that the CHCO Chats should be issue driven and not calendar driven. While some employees indicated the meetings are a good idea, they said they do not have time to participate.

As shown in Figure 2 below, survey participants indicated their preferences for how they receive information. In general, their strongest preference is to receive information through all-employee e-mails (83 percent) and staff meetings with their managers (72 percent).

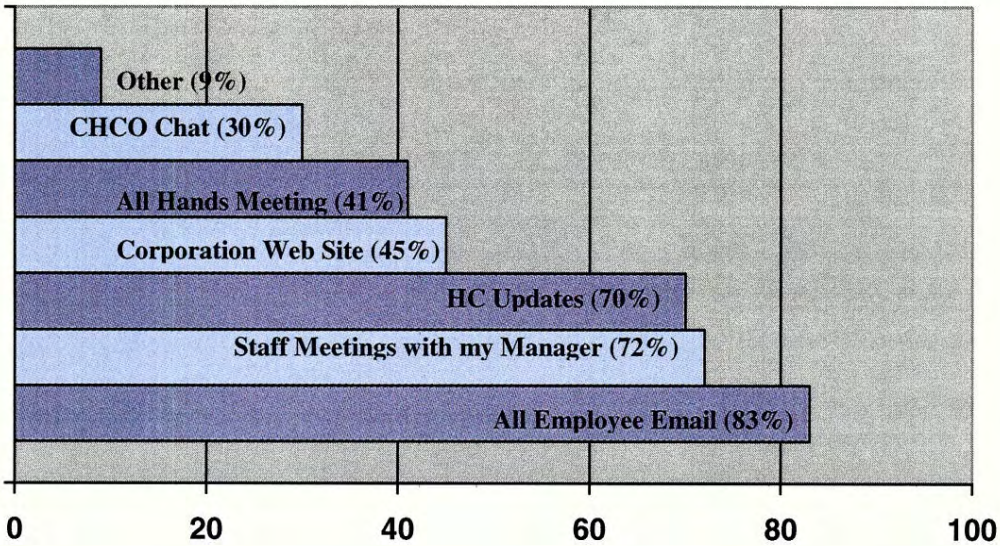

Figure 2. How Employees Prefer to Receive Information

Manager-staff meetings are effective in facilitating communications. For many employees, the Union plays a key role in communication. Some employees take issues to the Union, which in turn reports to management and then reports back to members.

Only 38 percent of the survey respondents agree that the Corporation openly shares information and knowledge. In response to an open-ended question, "what additional information would you like to receive," we received the following responses:

- Reasons for organizational structural, policy and personnel changes.
- Rationale for management decisions (e.g. budget allocations to different programs, and decisions by the compensation committee and Executive Team).
- Budgetary process and constraints.
- Salary structure and why there are salary equity issues.
- Staffing opportunities and how to get promoted.
- Reward and recognition policies.
- Job-related information (e.g., performance measures, position descriptions, and growth opportunities).
- Information on procedures for e-grants.
- Information about happenings in other program areas.

JPS Conclusions and Recommendations:

The Corporation now uses a number of vehicles to communicate to employees. This has increased perceptions by many employees that they are better informed about the Corporation's actions. OHC and OPA have a number of communication initiatives in place. However, there does not appear to be any integrated communication plan for employees that is coordinated by one unit. We therefore recommend the Corporation:

- Develop an internal communication plan for employees.
- Identify a single, specific unit to take the responsibility to manage internal communications and ensure that information is provided accurately and on a timely basis.
- Identify new ways for employees to effectively identify and use information sources.

One senior official stated that this process should be guided by the underlying philosophy that the Corporation should treat employees as stakeholders and customers, just as it does its grantees and the public.

VII. Employee Retention

	Employee Retention
New Finding	Employees have seen Improvements but are Frustrated in Some Areas that may Impact Retention.

Employee Retention

In the focus groups, employees and managers indicated that, overall, Corporation management has made significant improvements in the past two years. They agree that they feel a strong connection between their daily work and the mission (80 percent) and that people in their work units are working toward the same goals (71 percent). Further indication of improvement is that attrition has decreased over the past two years from 16.5 percent in FY 2004 to 10.5 percent in FY 2005.

However, employees also indicated they do not feel that they are rewarded for excellent performance and, in some areas, there are perceived internal inequities. For example, 51 percent of the survey respondents agreed that people in their work units are doing the same work but that their pay is substantially different.

Even with these improvements and a strong commitment to the Corporation's mission, there has been minimal change in the number of Corporation employees considering other employment since the 2004 OPM survey results. The OPM survey indicated that 39 percent of the employees were considering leaving the Corporation within the year. We found 40.5 percent of survey respondents are considering leaving in the next year (3.4 percent to retire and 37.1 percent to find work outside the Corporation). Our survey respondents indicated they are considering employment both within the Federal Government (81 percent) and outside (64 percent).

As shown in Figure 3 below, employees are seeking increased opportunities for advancement (70 percent), better use of their skills and abilities (61 percent), and the opportunity to earn more money (58 percent).

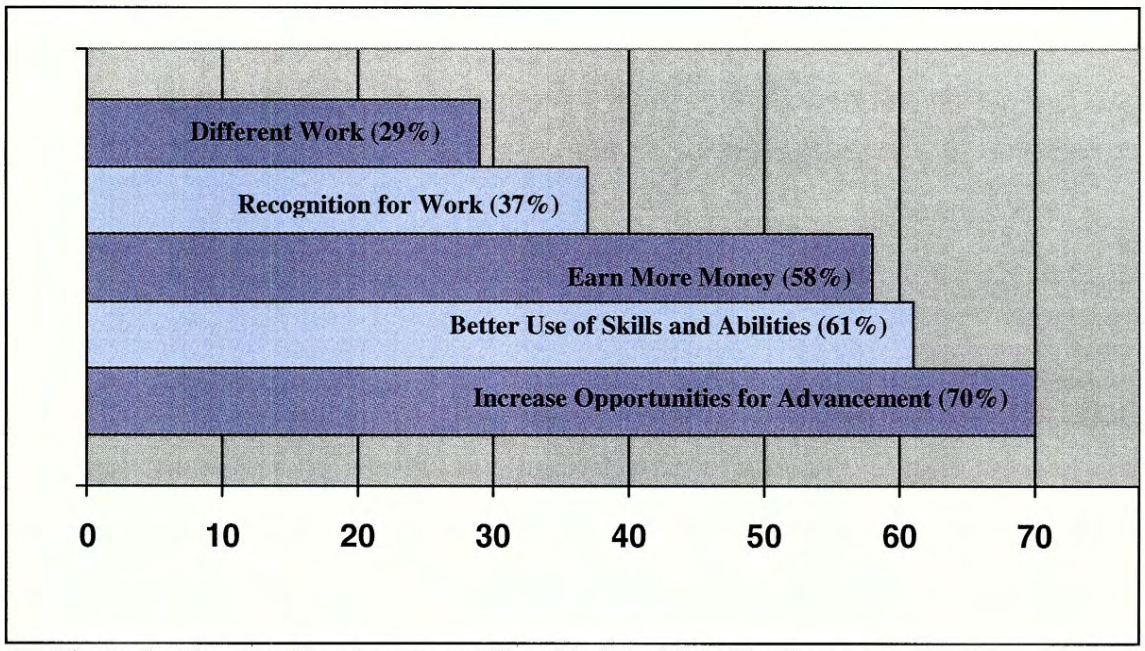

Figure 3. Reasons Employees are Considering Other Employment.

When noting the various reasons for seeking other employment, employees indicated the desire to increase opportunities for advancement, make better use of skills, and earn more money. Additional reasons listed in the write-in comments for seeking outside employment included job stress, workload, lack of manager recognition and support, and a desire to telecommute or relocate.

JPS Conclusions and Recommendations:
Given the substantial percentage of employees considering employment elsewhere, and with the signing of the Interchange Agreement, creating more Government job opportunities for its employees, the Corporation may now be at a higher risk of losing employees. We recommend that the Corporation:

- Monitor and evaluate the reasons people leave voluntarily to identify developing patterns that can be addressed.

VIII. References

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Appendix A. Sample Competency from 2005 Work Plans for the Field Liaison Group

Accountability: Supports a corporate culture that (1) highlights transparency in decision making, (2) emphasizes accountability to employees and stakeholders, and (3) builds credibility among customers and employees.

- **E:** Internal and external customers understand the thinking behind your decision-making, regardless of their level of agreement; you are sought by others as a resource; customers and employees clearly indicate focus on accountability to stakeholders.
- **F:** Consistently provides rationale behind decisions to customers and employees, meets commitments, and feedback indicates credibility with customers and employees.
- **B:** Consistent feedback indicates lack of trust or understanding by customers/employees; commitments consistently not honored.

Customer Service: Anticipates and meets the needs of internal and external customers; manages customer expectations and adjusts priorities accordingly. (Note: customers = internal and external; grantee/project subset is primary)

- **E:** Supports and encourages staff to develop, and when appropriate, implement new information/materials/procedures that proactively address emerging needs of internal and external customers.
- **F:** Shares with state offices and other stakeholders information and materials needed to operate successfully; ensures that staff and management (e.g., internal customers) receive information needed to perform
- **B:** Regular pattern of late submission of reports; infrequent contributions to Cluster or national activities; slow or inaccurate response to inquiries

External Awareness: Identifies and keeps up-to-date on key policies and social trends that affect the Cluster/nation. Understands plans and provides guidance to states on how best to implement them. Represents the Corporation and its programs to a wide range of internal and external individuals or groups.

- **E:** Continually out in front re: implementing plans and policies. Corporation programs in Cluster demonstrate strong support from a number of sources.
- **F:** Program development in Cluster reflects national initiatives and program guidance. Implements policy effectively after discussion of process.
- **B:** Program development in Cluster is not reflective of national policies. There is evidence of a general lack of awareness of CNCS and its programs by the service community-at-large.

Partnering: Supports networks and builds alliances, engages in cross-program activities; collaborates across boundaries and finds common ground with a widening range of stakeholders.

- E – Actively promotes and facilities cross-program collaboration, resulting in cross-program training, planning, and resource development. Also leverages partnerships with agencies outside CNCS, resulting in added value training and resources for CNCS.
- F – Has a working relationship with key players and associations in the National and Community service and volunteerism field. Actively participates in cross-program collaborations and partners with agencies outside CNCS. Engages in cross-stream activities, including training, programming, and promotion of CNCS resources.
- B – Has limited knowledge of or involvement with key players in the National and Community service field.

Corporation for
NATIONAL & COMMUNITY SERVICE

January 9, 2006

Ms. Carol Bates
Acting Inspector General
Office of the Inspector General
Corporation for National and Community Service
1201 New York Avenue, N.W., Suite 830
Washington, D.C. 20525

Dear Ms. Bates,

We have reviewed your draft report entitled: Follow-Up Review and Assessment of The Corporation for National and Community Service's Alternative Personnel System. Thank you for the opportunity to comment.

We are pleased to note your concluding that the Corporation has accomplished a number of objectives identified in the 2003 Deloitte and Touche OIG assessment (02-039) of the Alternative Personnel System (APS). We agree that the Corporation has made significant progress in the implementation and operation of the APS, particularly establishing and filling the post of Chief Human Capital Officer, implementing a new performance management system, signing the first new collective bargaining agreement in 10 years, and reaching an interchange agreement with the Office of Personnel Management. Nevertheless, we are mindful that the Corporation still faces important human capital challenges. We are committed to meeting those challenges and to ensuring that the Corporation supports a diverse, energized, and high-performing workforce.

Below you will find a description of various personnel improvements we have identified for action. As noted in your report, these actions address key areas of human capital, the APS, performance management, diversity, and communications.

1. Update our Strategic Human Capital Plan (SHCP) to better align to our new Corporation-wide Strategic Plan. Doing so will allow OHC to make data-driven assessments of the efficiency and effectiveness of HC programs.

2. Emphasize the advantages of APS flexibilities to our managers and employees, in particular as it relates to the implementation of the MAS/EAS performance management systems and recruitment/staffing initiatives.

3. Develop a Corporation-wide development program for supervisors, managers and executives. The program will provide a shared understanding of the Corporation's core business strategies and develop core supervisory and managerial competencies.

4. Improve record keeping, inquiry/issue tracking, and overall quality control. We have developed or revised Standard Operating Procedures for processing time and attendance, investigations, recruiting actions, and complaints/inquiries to the Office of Civil Rights and Inclusiveness. We are examining the internal business processes and organizational structure within OHC to uncover potential gains in efficiency. And we will perform a 100% audit and reconciliation of the official personnel files with our payroll provider (USDA National Finance Center) for all Corporation employees.

5. Improve managers' and employees' understanding of the APS through:

   - Refresher training on performance management for supervisors, managers, and executives;
   - Revising and updating the APS Handbook; and
   - Revising and updating the Supervisor's Desk Reference (SDR)

The SDR will reinforce several important supervisory and managerial responsibilities, including: using non-monetary awards to recognize employees, giving consistent and appropriate information to prospective employees, reinforcing an environment of inclusiveness, and improving organizational capacity by closing competency gaps.

6. Complete EEO analysis, through the MD-715 processes, to identify potential differences in the manner in which applicants or employees are impacted when recruited, retained and awarded within the Corporation. We will increase our collaboration with the Diversity Advisory Council (DAC) to reflect upon and integrate DAC recommendations for promoting a work environment that fosters a value for inclusiveness.

7. Continue to make internal communications a high priority. While the HC Update, HC Advisor, and CHCO Chats have been well received, we will review our communications strategy to ensure that employees receive timely, relevant information on vital topics (*e.g.*, emergency preparedness). We have also launched new human capital "round-tables" to allow more informal yet specific tailored discussions to take place for both supervisors and employees

The success of our endeavors to engage Americans in community service depends on our greatest asset -- the talent, energy, knowledge, and enthusiasm that our employees invest in

their work. I am committed to ensuring that we have the systems, policies, and tools needed to transform that investment into mission accomplishment. This report will be a great help in our efforts to achieve that goal.

Sincerely,

David Eisner
Chief Executive Officer