

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

OFFICE OF INSPECTOR GENERAL

July 8, 2003

In accordance with Section 4(a)(3) of the Inspector General Act, as amended, and at the request of Chairman of the Board of Directors Stephen Goldsmith and Chief Executive Officer Dr. Leslie Lenkowsky, the Office of Inspector General has performed a review of the Corporation for National and Community Service's Alternative Personnel System. The Office of Inspector General engaged the consulting services of Deloitte and Touche LLP to assist with the technical aspects of the review.

The purpose of the review was to determine if the Corporation's policies, procedures, and practices, created pursuant to the alternative personnel authority granted by the National and Community Service Trust Act of 1993, are being appropriately implemented. The review examined whether the policies facilitated, in an equitable manner, the use of term appointments, performance bonuses, salary increases, hiring actions, and promotions. Deloitte and Touche was also requested to conduct an assessment of employee attitudes concerning the Alternative Personnel System to determine, among other things, whether employee perceptions of inequities in the system had given rise to increased equal opportunity complaints.

The Office of Inspector General provided the enclosed report to Dr. Lenkowsky on May 2, 2003, with a request that he provide his comments for our consideration and for inclusion with the public release of this report. Dr. Lenkowsky's comments and his proposal to address the report's recommendations are attached to the report under "CORPORATION COMMENTS." As many of the corrective actions planned by the Corporation have yet to be executed, and most are dependent on the hiring of a Chief Human Capital Officer, the Office of Inspector General will revisit the recommendations made in this report and assess the Corporation's progress toward implementing the planned improvements.

Sincerely,



J. Russell George
Inspector General



Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Human Capital Advisory
Services

Review of the Alternative Personnel System

Conducted for The Office of Inspector General for the Corporation For National and Community Service

Final Report March 26, 2003

Prepared By:

Human Capital Advisory Services
Deloitte & Touche
1750 Tysons Boulevard
McLean, VA 22102
703-251-4368

Project Team:

Gregg Prillaman, Project Lead
Scott Leishear
Anthony Holliday
Maya Chenault
Steve Katz
Ariana Raines

**Deloitte
& Touche**

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

TABLE OF CONTENTS

Executive Summary	2
I. Brief Overview of the Corporation	5
II. Overview of the Project.....	9
III. Methodology	10
IV. Description of the Alternative Personnel System	12
V. Description of the Corporation’s Demographics.....	15
VI. Findings and Observations about the APS System	18
VII. Findings and Observations about the EEO Climate.....	22
VIII. Findings and Observations about Other Issues.....	25
IX. Options for Improvement	27

APPENDICES:

- A. [Statement of Work](#)
- B. [Communications from the OIG to employees announcing the project](#)
- C. [Listing of most relevant organizational materials and documentation](#)
- D. [Interview protocol and listing of executives and managers interviewed](#)
- E. [Listing of focus groups, invitation, and agenda](#)
- F. [Survey Questionnaire instrument and summary of results](#)
- G. [History of the APS, statutory foundation, and policies and procedures](#)
- H. [Corporation turnover compared with the Federal Government](#)
- I. [Corporation’s EEO counseling and complaint statistics Fiscal Years 94 - 01](#)

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

Executive Summary

In 1995, under special statutory authority, the Corporation for National and Community Service (Corporation) established an Alternative Personnel System (APS) exempt from most of the provisions of Title 5 of the United States Code and other statutes that govern human resource management for the General Schedule (competitive service). This special authority was unusual, but not unique as more than two dozen other Federal agencies, corporations, commissions, boards, and offices in the Executive, Legislative, and Judicial branches also have human resource systems exempt from all or part of 5 USC. Examples include the U.S. Postal Service, the Federal Deposit Insurance Corporation, the Peace Corps, the FAA, the Transportation Security Administration, the Office of the Comptroller of the Currency, the Board of Governors for the Federal Reserve, the Office of Thrift Supervision, the Library of Congress, the General Accounting Office, the Securities and Exchange Commission, and others.

In late November 2002, Deloitte & Touche was engaged by the Office of Inspector General for the Corporation to conduct an outside, objective review of the Corporation's Alternative Personnel System and to assess employee perceptions about the APS and other organizational issues. We understand that the review was requested jointly by the Board of Directors, the Chief Executive Officer (CEO), and the Inspector General in response to concerns that had been expressed by a number of employees and managers about the effectiveness and fairness of the system. The study was to include four major elements:

1. A technical review of the strengths and weaknesses of the APS, with particular respect to whether the APS policies, procedures, and practices are adequate to accomplish the Corporation's need to maintain adequate staffing and to administer, in a fair and equitable manner, the use of term appointments, performance bonuses, salary increases, hiring actions, and promotions.
2. An assessment of employee perceptions about the APS.
3. An assessment of the EEO climate within the Corporation, identifying equal opportunity issues as they relate to perceived inequities in the personnel system.
4. Options to potentially improve the APS, the EEO climate, and other organizational areas that might arise during the study.

The study was designed to be conducted in a short time frame to provide an impartial, overall assessment of the APS and employee perceptions about the organization. It was not designed to include detailed statistical analyses, reviews of individual cases, or other comprehensive "drill-downs". Those kinds of detailed analyses could be conducted in a subsequent study, if needed.

Between late November and early February, we gathered information and views about the APS and the EEO climate from a wide array of employees, supervisors, managers, and executives across the organization. Through interviews, focus groups, and a survey questionnaire we ultimately collected views from more than 200 of the Corporation's 600 employees. We are confident that the individuals involved in the study represented a good cross section of the organization, including headquarters and field locations and the various organizational elements, job families, ethnic groups, human resource systems, and grades/bands.

Following is a summary of the major findings, observations, and options for improvement that are included in the body of the report.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

MAJOR FINDINGS AND OBSERVATIONS

1. The APS system has a number of progressive elements and flexibilities that have benefited the Corporation through the years. The system is not “broken” in our view, but it does not appear to be administered in a manner that optimizes its value to the organization. Some elements that were developed in 1995, may not support the Corporation’s current and future strategic objectives and needs. Term appointments, for example, may restrict the ability to recruit in some situations and may promote a short-term mindset among employees and managers that could be inconsistent with the Corporation’s long-term interests.
2. The policies and procedures supporting the APS lack clarity in several critical areas (such as criteria for the length and renewal of term appointments), and are not understood by many managers and employees.
3. The APS system lacks credibility and is viewed by many employees as rife with favoritism and special arrangements.
4. Budgeting and funding for salary increases has been unpredictable in recent years, which has also damaged the credibility of the system.
5. The roles of line managers, Human Resources, and other offices are not clear with regard to human resource decisions, which also impacts the effectiveness of the system.
6. The Office of Human Resources has not focused enough attention on communications, strategic guidance to managers, assistance to employees, and managing consistency and internal equity across departmental lines.
7. There is no “honest broker” in management who employees feel will hear their concerns and resolve them in a fair and impartial manner. Accordingly, it appears that some situations that could have been resolved end up in EEO or another formal process.
8. Most of the employees in the organization do not believe that race or gender are factors in management decisions, nor do the Corporations' demographics indicate marked disparities in this regard. However, there is a strong feeling among many African American employees that they are not treated equitably with regard to grade levels, promotions, salary increases, disciplinary actions, and other human resource matters. This may be the result of disparate treatment in some cases, but in others it may well be unhappiness with the APS system being manifested through the EEO process.
9. Communications throughout the organization need to be improved to substitute accurate information from management for inaccurate information from the rumor mill.

MAJOR OPTIONS FOR IMPROVEMENT

1. Reexamine the APS and ensure that its elements are aligned with the Corporation’s current and future strategic objectives, particularly the extensive use of term appointments.
2. Create a Chief Human Capital Officer to oversee the APS and to act as an “honest broker” in the organization.
3. Clarify and add detail to APS policies and procedures, and clarify the roles of line managers, HR, and other offices in the decision-making process.
4. Improve and systematize internal controls to ensure consistent administration.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

5. Conduct a detailed EEO analysis of hiring, compensation, salary increases, promotions, awards, and disciplinary actions to identify areas (if any) where disparate treatment or adverse impact may exist.
6. Create an active Diversity Program to demonstrate the Corporation's commitment to an inclusive culture.
7. Clarify the roles of the EEO Office, the HR Office, and the Office of the General Counsel to ensure that all three groups are focused together on resolving problems.
8. Provide detailed APS training for executives, managers, and employees to dispel misconceptions about the system.
9. Amend the budget process, if possible, to set aside adequate funding for annual salary increases.
10. Establish a proactive internal communications program, and assign a trained communications specialist to coordinate this function.

It is important to put the results of a study of this nature in proper perspective. While our analysis certainly points to areas where improvements can be made, we also found some very positive characteristics about the Corporation that speak well for the organization. Throughout the project we were impressed again and again with the level of commitment and enthusiasm exhibited by employees and managers across the organization with regard to the Corporation's mission and work. This level of enthusiasm is typically found in very high-performing organizations, and represents a significant asset for the Corporation.

It has been a genuine pleasure working with the Office of Inspector General and the Corporation on this project. The Deloitte team was thoroughly impressed with the cooperation, openness, candor, and level of commitment to public service expressed by everyone involved in the project. We would like to thank the many employees, supervisors, and managers we met during the study for the courtesy they showed us and for the thoughtful comments they shared during our discussions. We will be pleased to provide additional information about the study and to discuss our findings, observations, and options for improvements upon request.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

I. Brief Overview of the Corporation

The Corporation for National and Community Service was created by the National and Community Service Trust Act (NCSTA) of 1993. The Corporation's mission is to:

“provide opportunities for Americans of all ages and backgrounds to engage in service that addresses the nation's educational, public safety, environmental, and other human needs to achieve direct and demonstrable results and to encourage all Americans to engage in such service. In doing so, the Corporation will foster civic responsibility, strengthen the ties that bind us together as people, and provide educational opportunity for those who make a substantial commitment to service.”¹

The Corporation came into existence on September 21, 1993. The NCSTA transferred to the Corporation the functions of ACTION (the Federal Domestic Volunteer Agency) and the Commission on National and Community Service, and the Office of National Service, a division of the White House. The Corporation is currently organized around three major program areas:

1. **AmeriCorps** is a national service program that engages citizens in part-time or full-time community service. AmeriCorps administers three programs: **AmeriCorps VISTA** which focuses on eradicating poverty and helping to meet the needs of people living in low income communities, **AmeriCorps NCCC** (National Civilian Community Corps) which is a residential program that deploys its members to help community organizations, and **AmeriCorps State and National** which grants funding to Governor-appointed State service commissions which in turn award and monitor grants for hundreds of nonprofit groups and agencies.
2. **Learn and Serve America** provides grants to schools, colleges, and community organizations to link classroom studies with community service.
3. **Senior Corps** taps the experience of Americans age 55 and over to meet a wide range of community needs: **RSVP** volunteers help local police departments, **Foster Grandparents** serve as tutors and mentors for young people with special needs, and **Senior Companions** help homebound seniors and other adults maintain their independence.

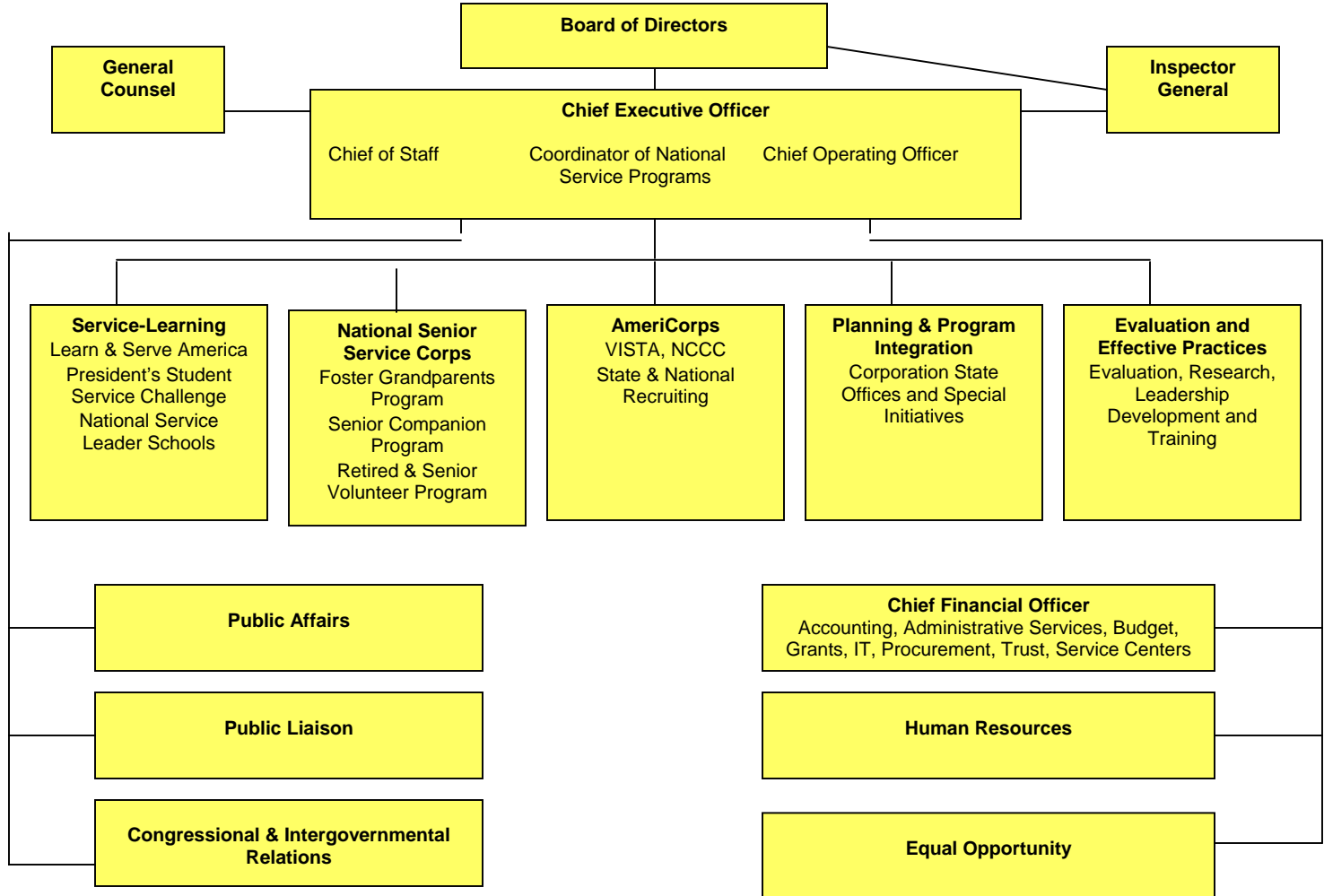
The Corporation is managed by a CEO who reports to the 15 members of the Board of Directors. The Board also includes 11 ex officio/nonvoting members. The CEO oversees a staff of approximately 600 employees located at the Corporation headquarters in Washington, DC, and field locations at 5 NCCC campuses, 5 Service Centers, and 45 State offices around the country. The field offices are primarily responsible for coordinating the Corporation's activities with State and local governments and not-for-profit organizations. President Bush appointed the current CEO, Dr. Leslie Lenkowsky, in October 2001. The Corporation's operations are also subject to review by the Office of Inspector General, which reports to the Board of Directors. The current Inspector General, Mr. J. Russell George, assumed his responsibilities in September 2002.

Additional information about the Corporation can be found on its website www.nationalservice.org. The charts on the following pages show the Corporation's current organizational structure and budget.

¹ Strategic Plan: Corporation for National Service, FY 1997-2002

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

CORPORATION ORGANIZATIONAL STRUCTURE (as of December, 2002)



FIELD LOCATIONS:

- 5 NCCC Campuses (Washington, DC, Perry Point, MD, Charleston, SC, Sacramento, CA, Denver, CO)
- 5 Service Centers (Atlanta, Chicago, Oakland, Philadelphia, Dallas)
- 45 State Offices

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

FISCAL YEAR 2003 BUDGET

The Corporation receives funding through annual appropriations. The following table details the Corporation's FY 2003 budget:

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
FY 2003 Enacted Levels, including Rescission
(dollars in thousands)

<u>Activity</u>	<u>2003 Enacted</u>	<u>0.65% Rescission</u>	<u>2003 Post Resc.</u>
National and Community Service Act (NCSA):			
National Service Trust	\$100,000,000	\$650,000	\$99,350,000
AmeriCorps Grants	175,000,000	1,137,500	173,862,500
Innovation, Assistance, and Other Activities	35,500,000	230,750	35,269,250
Evaluation	3,000,000	19,500	2,980,500
National Civilian Community Corps	25,000,000	162,500	24,837,500
Learn and Serve America: K-12 and Higher Ed	43,000,000	279,500	42,720,500
Program Administration	20,500,000	133,250	20,366,750
State Commissions	<u>12,000,000</u>	<u>78,000</u>	<u>11,922,000</u>
Total Program Admin	32,500,000	211,250	32,288,750
Points of Light Foundation	10,000,000	65,000	9,935,000
America's Promise	5,000,000	32,500	4,967,500
Subtotal, NCSA	429,000,000	2,788,500	426,211,500
Office of Inspector General	<u>6,000,000</u>	<u>39,000</u>	<u>5,961,000</u>
Subtotal, NCSA and OIG	435,000,000	2,827,500	432,172,500
Domestic Volunteer Service Act (DVSA):			
Volunteers in Service to America (VISTA)	94,287,000	612,866	93,674,135
Special Volunteer Programs	10,000,000	65,000	9,935,000
National Senior Service Corps			
Retired and Senior Volunteer Program	58,884,000	382,746	58,501,254
Foster Grandparent Program	111,500,000	724,750	110,775,250
Senior Companion Program	46,563,000	302,660	46,260,341
Senior Demonstration Program	<u>400,000</u>	<u>2,600</u>	<u>397,400</u>
Subtotal, Senior Programs	217,347,000	1,412,756	215,934,245
Program Administration	34,571,000	224,712	34,346,289
Subtotal, DVSA	356,205,000	2,315,333	353,889,668
TOTAL, CORPORATION	\$791,205,000	\$5,142,833	\$786,062,168

Source: Corporation Office of Finance, March, 2003

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

The Alternative Personnel System

As part of the enabling legislation, the Chief Executive Officer was authorized to establish an Alternative Personnel System excepted from many of the provisions of 5 USC and other statutes that govern human resource administration for Federal employees under the competitive service General Schedule (GS). This authority was not unique. In fact, several dozen Federal entities are excepted from one or more provisions of 5 USC, including the U.S. Postal Service, the Federal Deposit Insurance Corporation, the Peace Corps, the FAA, the Transportation Security Administration, the Office of the Comptroller of the Currency, the Board of Governors for the Federal Reserve, the Office of Thrift Supervision, the Library of Congress, the General Accounting Office, the Securities and Exchange Commission, and a wide array of other Federal agencies, corporations, commissions, boards, and offices in the Executive, Legislative, and Judicial branches. Altogether, several hundred thousand Federal employees work under special, excepted service human resource systems in these organizations.

Under the legislation, the Chief Executive Officer was authorized to work with the Office of Personnel Management (OPM) to fashion a human resource system with the types of appointments, grade and pay structures, and other elements that would best suit the Corporation's needs. Working closely with OPM, the Corporation created the APS which was implemented in June of 1995. (The letter from the Director of OPM approving the APS is found at [APPENDIX G.](#)) Key aspects of the APS included:

- Human resource policies and procedures promulgated by the Corporation (with OPM approval) rather than the government-wide policies and procedures that govern the GS system.
- The use of term appointments (typically 2-5 years) for most new hires, renewable upon expiration for additional terms at management discretion. This is in contrast to unlimited-time career appointments in the GS system.
- A 2-year probationary period for new hires, rather than the 1 year that applies to GS.
- A grade and salary structure with six broadbands (each encompassing 2-7 GS grades) rather than the 15 grades and 6 SES levels in the GS system.
- Individual salary increases based on management discretion rather than the longevity step increases in the GS system.
- Across-the-board salary increases each January based on management discretion, rather than the government-wide “comparability” increases that apply to GS.
- The grandfathering of current competitive service GS employees (absorbed from ACTION) in the GS system as long as they remained in their current positions. Competitive Service GS employees could voluntarily convert to the APS at any time, but would only be required to convert if they accepted a promotion to a higher level position.

Since its implementation in 1995, the APS has been the primary human resource system used by the Corporation. More detailed information about the history and structure of the APS is included in **Section IV**, and at [APPENDIX G](#).

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

II. Overview of the Project

On November 20, 2002, Deloitte & Touche was engaged by the Office of Inspector General for the Corporation to conduct an outside, objective review of the Corporation's Alternative Personnel System and to assess employee perceptions about the APS and other organizational issues. We understand that the review was requested jointly by the Board of Directors, the CEO, and the Inspector General in response to concerns that had been expressed by a number of employees and managers about the effectiveness and fairness of the system. Deloitte was chosen for the project, in part, because of our extensive experience working with other Federal organizations that have alternative human resource systems exempt from all or part of 5 USC.

A copy of the Statement of Work is attached at [APPENDIX A](#). The study was to include four major elements:

1. A technical review of the strengths and weaknesses of the APS, with particular respect to whether the APS policies, procedures, and practices are adequate to accomplish the Corporation's need to maintain adequate staffing and to administer, in a fair and equitable manner, the use of term appointments, performance bonuses, salary increases, hiring actions, and promotions.
2. An assessment of employee perceptions about the APS.
3. An assessment of the EEO climate within the Corporation, identifying equal opportunity issues as they relate to perceived inequities in the personnel system.
4. Options to potentially improve the APS, the EEO climate, and other organizational areas that might arise during the study.

The study was designed to be conducted in a short time frame to provide an impartial, overall assessment of the APS and employee perceptions about the organization. It was not designed to include detailed statistical analyses, reviews of individual cases, or other comprehensive "drill-downs". Those kinds of detailed analyses could be conducted in a subsequent study, if needed.

On October 17, 2002, the Inspector General sent an e-mail to all employees explaining that he would be commissioning a study of the APS and asking them to provide their views about the APS and any other issues of concern. Seventy employees responded. (We ultimately interviewed 26 of the 70 as part of the study.) The IG sent another e-mail to all employees on November 27, 2002, announcing that the study had been commissioned and asking all managers and employees to cooperate with our consultants. Both e-mails are attached at [APPENDIX B](#).

Coincidentally, the Office of Personnel Management also began a study of the Corporation's human resource programs in October of 2002. While some of the same areas were involved, that study was part of OPM's regular audit function and was unrelated to our project. We understand that the OPM project team provided a draft report to the CEO in late January outlining the findings of their study.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

III. Methodology

A. Sources of Information

We gathered information for the study from five major sources:

- 1) **Organizational materials and documentation** provided by the OIG and the Corporation. A listing of the most relevant materials is attached at [APPENDIX C](#), including executive summaries of two reports prepared by the National Academy of Public Administration (NAPA) in 1997 and 1998 which speak to aspects of the APS.
- 2) **Individual interviews** with 33 employees and 42 executives/managers/supervisors throughout the organization at headquarters and in the field, many more than once. Of the 75 individuals interviewed, 26 had contacted the OIG with specific issues. We selected the remainder to gain a sampling of perspectives from across the organization. Each interview typically lasted 60-90 minutes. A listing of executives and managers interviewed and a copy of our interview protocol are attached at [APPENDIX D](#). All employees interviewed were promised confidentiality to solicit their candid views about the organization. In addition to the 75 formal interviews, we also spoke with 15 - 20 individuals who wanted to offer their views outside the interview or focus group setting.
- 3) **Focus groups** with 16 groups of employees, supervisors, and managers: 13 at headquarters and 3 at field locations (Chicago, Oakland, and Washington, DC). We selected the focus group participants to represent a cross section of the Corporation -- including all organizational elements, job families, HR systems (APS/GS), grades/bands, and ethnic groups. Information about the focus groups is attached at [APPENDIX E](#). Our consultants facilitated the focus groups, and invitees were asked to RSVP directly to us. Of the 193 employees invited to attend the focus groups, 115 participated. As was the case with the individuals interviewed, focus group participants were promised confidentiality to encourage them to provide their candid views.
- 4) **Questionnaires** distributed to 140 employees at headquarters and in the field soliciting their views about the APS, attraction and retention factors, communications, and other aspects associated with the Corporation. The questionnaires were completed by 111 individuals (98 focus group participants and 13 who replied by mail or e-mail). The respondents provided a good cross section of the organization, representing the various departments, ethnic groups, job families, field and headquarters operations, HR systems, and grades/bands. The questionnaire instrument and the results are attached at [APPENDIX F](#).
- 5) **Interviews with other individuals** at OPM, Peace Corps, and other organizations who are knowledgeable about the APS and/or other issues involved in the study.

Altogether, we gathered views from more than 200 Corporation employees, supervisors, managers, and executives -- over one-third of the staff. Accordingly, we are confident that the study encompassed a representative sampling of the Corporation's population.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

B. Project Timeline and Steps

The timeline for the project was very aggressive. Major events included:

November 20	Contract signed
November 25	First project planning meeting with OIG
December 2	Began interviews (beginning with the IG and the CEO)
December 2 - Feb. 7	Interviews with employees, supervisors, managers, executives
December 18 - Feb. 7	Focus groups at headquarters and field
January 8	Interim progress briefing for the OIG
January 31	Presentation of preliminary findings to the OIG
February 10	Presentation of preliminary findings to the Management Committee of the Board of Directors
March 6	Submission of Draft Report to the OIG
March 26	Submission of Final Report to the OIG
After March 26	Briefings, upon request

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

IV. Description of the Alternative Personnel System

As noted earlier, the CEO was granted broad authority under the enabling legislation to establish a human resource system outside the confines of 5 USC. The pertinent sections of the legislation (42 USC 129, Sec. 12651f) and the Corporation's policies and procedures that govern the APS are attached at [APPENDIX G](#). These policies and procedures were prepared in 1995 in cooperation with the Office of Personnel Management, and have remained essentially unchanged since that time. The APS policies and procedures are available to all managers and employees on the Corporation's intranet.

When the APS was implemented in June of 1995, the Corporation had approximately 282 competitive service GS employees who had been absorbed from ACTION. These employees were encouraged to convert to the APS, but were only required to do so if they applied for and were selected for a position that would constitute a promotion. The number of residual GS employees has diminished through the years, with approximately 120 remaining. The typical GS policies and procedures are applied to these employees, including the January comparability increase and longevity step increases. Accordingly, GS employees and APS employees have served side by side with different personnel policies and procedures since 1995.

Following is an outline of the major provisions of the APS.
(GS differences are indicated, where appropriate.)

A. Laws, Regulations, Policies, Procedures:

- Exempt from most provisions of 5 USC; broad authority delegated to the CEO
- Policies and procedures unique to the Corporation, not government-wide
- Policies and procedures must be approved by OPM, per statutory requirement
- Policies and procedures far less detailed than most agencies

B. Nature of Appointments:

- Broad authority delegated to the Corporation to offer limited and unlimited appointments
- The Corporation currently uses four types of appointments for regular employees:
 - APS Discretionary (political appointees who serve at pleasure of CEO)
 - APS General (unlimited term appointments -- no time limit)
 - APS Term (time-limited for 1-5 years, renewable)
 - GS (residual GS employees from ACTION)
- Temporary appointments are used for employment relationships of less than 1 year, typically applicable to short-term office assistants.
- Presidential appointments apply to those senior executives who are appointed by the President of the United States: currently the CEO, CFO, IG, and two vacant Managing Director positions.

C. Hiring Procedures:

- Broad authority delegated to Corporation
- Not required to go through OPM or to use OPM procedures
- Much more flexible with regard to competition
- Limited veterans preference

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

D. Grade and Compensation Structure:

- Broad authority delegated to the Corporation
- 6 broadbands (NY 1-4 for staff; NX 1 and 2 for managers and executives)
- 5 salary bands (without steps) established by combining several GS grades
 - NY-1 = GS 1-7
 - NY-2 = GS 7-10
 - NY-3 = GS 11-13
 - NY-4/NX-1 = GS 14-15 (NY-4 and NX-1 share the same salary band)
 - NX-2 = SES 1-6
- Independent position classification process
- January “comparability” increase discretionary (but equal to GS in practice)
- Within-band adjustments (merit increases) discretionary, not based on longevity
- Performance awards discretionary

E. Performance Management:

- Broad authority delegated to Corporation
- Only required to follow 5 USC for GS
- By policy, the Corporation has one system for all employees - follows 5 USC
- Summary evaluations only at two levels -- Pass or Fail
- No direct link between performance appraisal and compensation

F. Probation, Due Process and Appeal Rights (for Discipline and Separation)

For APS Discretionary Appointments:

- Serve at pleasure of CEO - may be separated at any time
- No probationary period
- No due process
- No union grievance rights
- MSPB appeal rights only for violation of Merit Principles
- EEO rights

For APS General Appointments:

- Two year probationary period
- Due process only after probationary period
- Union grievance rights (if in bargaining unit)
- MSPB appeal rights only for violation of Merit Principles
- EEO rights

For APS Term Appointments:

- Two year probationary period
- Due process only after probationary period and before expiration of term
- No due process for non-renewal of appointment
- Union grievance rights (if in bargaining unit)
- MSPB appeal rights only for violation of Merit Principles
- EEO rights

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

For GS Appointments:

- Standard requirements of 5 USC
- One year probationary period
- Full due process
- MSPB appeal rights
- Union grievance rights (if in bargaining unit)
- EEO rights

G. Reduction in Force

- One round of competition in competitive level
- No bump and retreat rights

H. Major Areas Where APS is Governed by 5 USC, Essentially the Same as GS

- Locality pay
- Benefits: Insurance, leave, retirement, etc.
- Application of Merit Principles
- Whistleblower Protections
- Labor Relations
- EEO

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

V. Description of the Corporation’s Demographics

The following tables show the demographic makeup of the Corporation as of December 11, 2002. We prepared these tables based on employee data provided by the Corporation’s Office of Human Resources. All data for the Corporation include headquarters, field, and OIG staff.

DEMOGRAPHIC MAKEUP OF THE CORPORATION COMPARED WITH THE FEDERAL GOVERNMENT		
	Corporation (2002) (603 employees)	Federal Government Civilian Workforce (2001)*
Female	61%	45%
Male	39%	55%
White	62%	69.4%
African American	30%	17.1%
Hispanic	5%	6.7%
Asian/Pac. Islander	4%	4.6%
American Indian/Alaskan Native	.33%	2.2%

* Source: Office of Personnel Management Factbook. Data as of September 30, 2001 (most recent data available)

CORPORATION STAFF BY TYPE OF APPOINTMENT		
Appointment Type	Appointment Description	Corporation Staff
APS Term	1 – 5 year duration	61%
GS	Residual GS group from ACTION	20%
APS General	Unlimited term	13%
APS Discretionary	Serve at discretion of CEO	4%
Temporary	Less than 1 year	1%
Presidential	Appointed by the President	.5%

DEMOGRAPHIC MAKEUP OF THE CORPORATION BY TYPE OF APPOINTMENT						
	Term	GS	General	Discretionary	Temporary	Presidential
Female	62%	51%	67%	69%	63%	33%
Male	38%	49%	33%	31%	37%	66%
White	61%	60%	60%	81%	50%	66%
African American	30%	33%	31%	8%	25%	33%
Hispanic	4%	3%	6%	8%	12%	0%
Asian/Pac. Islander	4%	3%	2%	4%	12%	0%
Am. Indian/Alaskan Native	1%	0%	0%	0%	0%	0%

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

DEMOGRAPHIC MAKEUP OF THE CORPORATION BY APS BANDS

Band NY – 1 (73 Employees) (Clerical/Technical Support)		Band NY – 2 (128 Employees) (Entry and developmental Administrative/Professional, Senior Technician)	
Female	79%	Female	70%
Male	21%	Male	30%
White	49%	White	51%
African American	40%	African American	38%
Hispanic	5%	Hispanic	7%
Asian/Pac. Islander	5%	Asian/Pac. Islander	4%
Am. Indian/ Alaskan Native	0%	Am. Indian/ Alaskan Native	0%

Band NY – 3 (181 employees) (Full Performance Administrative/Professional)		Band NY – 4 (59 employees) (Expert Professional / Supervisor)	
Female	62%	Female	53%
Male	38%	Male	47%
White	67%	White	75%
African American	24%	African American	15%
Hispanic	4%	Hispanic	5%
Asian/Pac. Islander	4%	Asian/Pac. Islander	5%
Am. Indian/ Alaskan Native	1%	Am. Indian/ Alaskan Native	0%

Band NX – 1 (28 employees) (Manager)		Band NX – 2 (11 employees) (Executive*)	
Female	29%	Female	36%
Male	71%	Male	64%
White	75%	White	91%
African American	21%	African American	0%
Hispanic	0%	Hispanic	9%
Asian/Pac. Islander	0%	Asian/Pac. Islander	0%
Am. Indian/Alaskan Native	4%	Am. Indian/Alaskan Native	0%

* Does not include the three Presidential Appointees: CEO, CFO, and IG.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

Some Observations about the Corporation's Demographics

Note: While a demographic analysis is useful, readers should remember that a change of one or two individuals can have a significant impact on statistics when a small population is involved (i.e., the law of small numbers). Accordingly, readers should consider the number of individuals in particular categories when reviewing the data.

- The percentage of women in the Corporation (62%) is higher than the general population (51%) and the U.S. Government as a whole (45%). This is a relatively common gender makeup for not-for-profit social services organizations, but, nevertheless, is a situation the Corporation should review to ensure that its hiring practices are designed to attract men and women equally.
- The percentage of African Americans in the Corporation (30%) is also higher than the general population (12%) and the U.S. Government as a whole (17.1%). The reasons for this difference are unknown but may reflect, in part, the fact that the Corporation's headquarters is located in Washington, DC, which has a higher percentage of African Americans in the workforce than the nation as a whole.
- The demographic makeup of the Corporation by type of appointment (term, general, etc.) appears to be roughly proportional to each group's representation in the Corporation.
- African American employees and women are more heavily represented in the lower bands (NY-1, 2, and 3) while whites and males are clustered more heavily at the higher bands (NX-1 and 2). While relatively small numbers are involved at the higher band levels, this is a situation the Corporation should also review in more detail to ensure that its hiring practices are designed to attract men, women, non-minorities, and minorities equally.
- American Indian/Alaskan Natives are the least represented group in the Corporation, although given the small numbers involved, only one or two individuals in this category could change the representation dramatically.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

VI. Findings and Observations about the APS System

This section of the report outlines our findings and observations about the major strengths and weaknesses of the APS, the most common employee perceptions about the system, and the policies and procedures least understood by managers and employees.

A. Major Strengths of the APS

- Significantly more flexibility for managers with regard to hiring, setting compensation, rewarding, and releasing employees than exists under the GS system
- Proven ability to recruit and retain high caliber talent
- Compatible with human capital concepts in the President’s Management Agenda
- The system is agile, not bogged down by unnecessary processes
- The system can be quickly tailored to fit the Corporation’s changing needs and mission
- Broadbands provide more flexible hiring salaries to attract talent
- Non-competitive appointments speed recruitment and hiring
- Greater opportunity to reward and advance employees based on performance
- Term appointments allow non-renewals without due process, creating an easier way to release unneeded or marginal staff
- Term appointments allow a regular influx of “new blood”
- Term appointments help to prevent an “entitlement” mentality among employees
- Two-year probationary period allows a longer opportunity for managers to test new hires

B. Major Weaknesses of the APS

- Term appointments, even though nearly 90 percent are renewed, promote a short-term mentality among employees and managers. Many employees begin thinking about leaving 12-24 months before their appointments expire. Term appointments also deter some candidates from joining the Corporation, particularly those with competitive Federal status.
- The system was designed more than 8 years ago and may not support the Corporation’s current human capital strategy and mission objectives.
- Policies and procedures are not well defined, and are not understood by most managers and employees. Many managers and employees do not understand basic elements of the system, such as the different kinds of appointments, the criteria for different durations of term appointments, and the criteria for renewing/non-renewing appointments. (A listing of the least understood policies and procedures appears on the next page.)
- The system lacks credibility among employees and managers. Many believe decisions are arbitrary and based on favoritism. Many also believe the funding for salary increases has been insufficient in recent years, making the APS an “unfunded mandate”.
- Reduced opportunities for promotion due to broadbanding (i.e., fewer grades for promotion)
- Performance management system is not viewed as a valuable process

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

- No eligibility for competitive status through OPM
- View among managers that too much control is exercised by the COO and HR office

C. Most Common Employee Perceptions about the APS

The following perceptions about the APS were drawn from focus groups, questionnaires, and interviews with a wide array of employees, supervisors, and managers during the study. These perceptions were not shared universally, of course, but were the most commonly stated by the participants.

- In concept, the APS could be a “good” system that rewards performance and allows for managerial flexibility
- In practice, the system is poorly understood, poorly administered and lacks credibility
- Most employees do not object to management flexibility, as long as they are treated fairly
- The rules for term appointments, renewals, promotions, salary increases, transfers, and other personnel actions are not clear and are not followed. Too many decisions reflect favoritism and inequity – not merit
- The historic lack of funding for salary increases has damaged the system’s credibility; the APS is perceived as an “unfunded mandate”
- The system was misrepresented to employees when they were hired; promised salary increases and opportunities for advancement never appeared
- Term appointments keep employees on edge and diminishes their commitment to the Corporation
- Managers do not have the authority to make most personnel decisions; too much authority is exercised by the COO and others who oversee the managers
- There is no advantage to APS for employees – most would prefer to be GS employees

D. APS Policies and Procedures Least Understood by Managers and Employees

- Process and criteria for deciding:
 - Type of appointment (Term, General, Discretionary)
 - Length of Terms
 - Renewal/non-renewal of Terms
- Process and criteria for granting within-band adjustments (merit increases)
- Process and criteria for granting comparability increases
- Process for competitive promotion
- Process and criteria for establishing new hire salaries
- Authority for making HR decisions -- among division directors, managers, HR
- Roles and responsibilities of the HR office
- Roles and responsibilities of the EEO Director
- Process for processing EEO complaints, grievances, and employee-management disputes
- Process and criteria for position classification

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

E. Our Summary Observations about the APS

1. While there is room for improvement, we do not believe the APS system is “broken”. The system has a number of progressive elements that have helped the organization to recruit and retain a highly talented and committed workforce for the last eight years. However, the system does not appear to be administered in a manner that optimizes its value to the organization. Further, some elements that were developed in 1995 may not support the Corporation’s current and future strategic objectives and needs. Term appointments, for example, may promote a short-term mindset among employees and managers that could be inconsistent with the Corporation’s long-term interests. They may also restrict the Corporation’s ability to recruit and retain talent in some cases, particularly when the talent has a choice between career status in the competitive service and a term appointment with the Corporation. It is important to note in this regard that the Corporation’s voluntary turnover averages 12-14 percent per annum while the overall Federal Government rate is approximately 6.5 percent. Turnover data for both the Corporation and the Federal Government are attached at [APPENDIX H](#).

2. Many of the complaints about APS are common to alternative personnel systems in other organizations. There is a basic tension between managers and employees in any organization over competing interests: most managers want maximum flexibility and discretion while most employees want predictability, fairness, and security. A well-designed human resource system needs to strike a balance between these interests (and others), as part of an overall human capital strategy to best support the organization’s mission. We do not believe the Corporation has reviewed the strategy behind the APS in recent times to determine whether it really has the right elements for the future. That review -- and reconciling competing interests -- should point the way to any amendments that might be appropriate.

3. Because there are few built-in rules, alternative personnel systems require more time and attention from senior management, more internal controls, and more information for managers and employees than traditional systems like the General Schedule. It appears to us that the Corporation has dedicated too little attention to these areas, and as a result the APS is poorly understood and lacks credibility among employees and managers. These problems are not new -- they clearly date back several years, long before the current executive team arrived on the scene. But the frustrations expressed by employees and managers before and during this study clearly indicate that current management needs to focus attention on these issues sooner rather than later.

4. The role of the Human Resources function is also critical in an alternative personnel system. While Human Resources can focus primarily on applying rules and regulations in a traditional system, the increased discretion in an alternative system requires Human Resources to focus far more attention on communications, strategic guidance to managers, assistance to employees, and managing consistency and internal equity among departments. Someone in the organization-- typically Human Resources -- needs to act as an “honest broker” to make sure that the interests of the organization, managers, and employees are all being served by the system. While the Corporation’s Office of Human Resources performs each of these functions to some extent, it is our sense that it focuses too much attention on assisting management and too little time on communications, assistance to employees, and managing consistency and internal equity among departments. As a matter of philosophy, Human Resources needs to be seen by managers and employees as “leading the way” in an alternative personnel system anticipating and preventing

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

problems, not as a clean up crew struggling to resolve problems after they have arisen. It must also focus considerable time and attention on responding to inquiries and concerns from employees as well as managers.

5. Increased discretion also increases the need for effective internal controls to ensure that short-term decisions by managers do not lead to long-term problems for the organization. The best internal controls are a blend of 1) clear criteria for decision-making, 2) guidance from internal experts, and 3) a review process that has a “second set of eyes” look at major decisions and consider organization-wide implications before the decisions are finalized. Our sense is that the Corporation has too few clear criteria, too few internal experts, and only *ad hoc* “second sets of eyes” looking at many APS decisions. The former COO was one “second set of eyes”, but in her absence it is unclear who has assumed that responsibility. For example, it is unclear at the moment who is reviewing salaries proposed for new hires to assure reasonable comparability for similar positions across the organization. This was a function being performed on an *ad hoc* basis by the previous COO and HR. Internal controls should be built into policy to ensure that they will continue to function when individuals change jobs or leave the organization.

6. To be successful, therefore, the APS needs to be sound in both structure and administration. Following are our summary observations about each area:

Structure

- The APS is basically sound in concept, but may or may not support the Corporation’s future business strategy
- Many of the flexibilities in the system are consistent with the direction of the Administration
- Many of the complaints from managers and employees are typical for an alternative personnel system
- Roles, responsibilities, and delegations of authority are not clear
- Several legal issues are not clear and require additional research
- Policies, procedures, and criteria are not sufficiently detailed in several critical areas
- Many internal controls are ad hoc and reside in individuals rather than systems

Administration

- Policies and procedures have not been clarified and explained to managers and employees
- Roles and responsibilities between HR, managers, and executives are not clear
- HR is too focused on management and not enough on strategy, communications, and assisting employees
- Managers and employees have received too little training and instruction about the system
- Some new hires believe they have been given unreasonable expectations about the system
- Decisions are often viewed as favoritism and special arrangements
- Unpredictable funding for salary increases has damaged the system’s credibility
- Employees see no real advantages for them in APS – only for management
- Performance management process is not viewed as valuable

Options to address these issues are included in **Section IX**.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

VII. Findings and Observations about the EEO Climate

Our findings and observations about the EEO climate in the Corporation were gathered primarily during the course of our interviews and focus groups with employees, supervisors, and managers and from our Questionnaire. The charter for the project did not include reviewing individual cases or conducting detailed statistical analyses, although we did review various EEO reports and held lengthy discussions with the Director of EEO and a number of other knowledgeable individuals.

The following sections outline the common perceptions expressed by employees about the EEO climate at the Corporation, some relevant results drawn from our Questionnaire, and our observations.

A. Common Employee Perceptions about the EEO Climate at the Corporation

- The majority of employees and managers across the Corporation do not believe that race or gender are factors in management decisions. They believe that the APS and other practices have disadvantaged many individuals, without regard to sex or ethnic background.
- However, there is a strong sense among many African American employees that they are treated unfairly compared to white employees. Following are some of the most common concerns they voiced:
 - No African Americans among senior management, except for the IG.
 - Minorities are clustered at lower grades; upper grades are predominantly white.
 - African American employees are treated unfairly with regard to disciplinary actions, promotions, salary increases, and opportunities for advancement.
 - Management does not take their concerns about race seriously.
 - Management does not take EEO complaints seriously.
 - There is no one in management that minority employees can talk to about personnel issues.
 - Employees who speak out (e.g., join Blacks in Government, file EEO complaints, etc.) may be subject to reprisal by management.
- Some employees (minority and female) feel that whites and males are paid more than minorities and females for the same jobs (e.g., unequal pay for equal work).

B. Most Relevant Results Drawn from the Questionnaire

Following are some questionnaire results most relevant to the EEO climate and the overall effectiveness of the APS. The full results of the questionnaires are attached at [APPENDIX F](#).

Non-Minority Respondents

- 71% think they are treated fairly by managers in their department.
- 42% think they are treated fairly by the Corporation as a whole.
- 44% think the Corporation values diversity in the workplace.
- 13% think they have a good opportunity for advancement at the Corporation.
- 12% think most personnel decisions are based on merit.
- 58% think their performance is recognized and appreciated.
- 39% think the performance appraisal process is useful.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

Minority Respondents

- 53% think they are treated fairly by managers in their department.
- 34% think they are treated fairly by the Corporation as a whole.
- 27% think the Corporation values diversity in the workplace.
- 2% think they have a good opportunity for advancement at the Corporation.
- 17% think most personnel decisions are based on merit.
- 45% think their performance is recognized and appreciated.
- 24% think the performance appraisal process is useful.

C. Our Observations about the EEO Climate at the Corporation

1. While we cannot comment on individual cases, our review of the Corporation's overall demographics and HR policies did not indicate a pattern of pervasive race or sex discrimination. Women and African Americans are well represented in the staff population, with percentages higher than the Federal Government as a whole. They are not well represented in the senior manager and executive bands (NX-1 and NX-2), but, given the small number of positions involved, underrepresentation could be remedied by the addition of only one or two individuals at these levels.

2. Nevertheless, there is clearly a strong feeling among many African-American employees that they are treated differently than white employees. We were also advised by the EEO Director that the Corporation has more EEO complaints than would normally be found in a Federal agency of its size. (A comparison of the Corporation's EEO activity for FY 94 – FY 01 with other Federal organizations is attached at [APPENDIX I](#).) We are unsure, however, whether this feeling is the result of actual disparate treatment or whether unhappiness with the APS system and related management decisions is being manifested in EEO terms. The Questionnaire results in Section B, above, show that the Corporation's minority employees are more dissatisfied than non-minority employees in nearly every category surveyed. This dissatisfaction may well be leading to EEO complaints.

3. Some white and other non-African American employees feel that African Americans are clustered in lower level positions, but few feel that race is a factor in management decisions. As noted earlier, most feel employees are equally disadvantaged by the APS system. The fact that only 15 percent of the employees surveyed believe that most personnel decisions are made on the basis of merit is a telling indicator of the system's lack of credibility. (See [APPENDIX F](#))

4. We strongly believe that improving the administration and credibility of the APS could significantly improve the Corporation's EEO climate.

5. There is no "honest broker" in management who employees can go to with their concerns, confident that they will be given a fair hearing and an honest explanation. As a result, we believe some non-EEO concerns end up in the EEO system because employees see no other effective forum for having their concerns addressed. The Corporation has an Alternative Dispute Resolution process (located in the Office of the General Counsel) and a grievance procedure for members of the union bargaining unit, but these vehicles are rarely used. We believe establishing

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

the critical role of an “honest broker” could significantly improve the overall employee-relations climate in the organization, and reduce the number of complaints that reach the EEO process.

6. The roles and responsibilities of the HR Office, the EEO Office, and the Office of the General Counsel are not clear with regard to EEO matters. As a result, relations among these three offices are often strained and uncooperative rather than focused together on solving problems. This lack of clarity and strained relationships adds to the EEO discord in the organization.

Options to address these issues are included in **Section IX**.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

VIII. Findings and Observations about Other Issues

Although our primary mandate was to assess the Alternative Personnel System and the EEO climate at the Corporation, other issues arose during the study that are important to note.

A. Commitment of the Corporation Staff

We were impressed again and again with the level of commitment and enthusiasm exhibited by employees and managers across the organization with regard to the Corporation's mission and work. This is an unusually committed group who want to make a difference. The Questionnaire results bore this out when an overwhelming majority of employees said that the mission of the organization and the nature of their individual jobs were the most important factors that attracted them to the Corporation and kept them there. This level of enthusiasm is typically found in very high-performing organizations, and represents a significant asset for the Corporation.

B. Communications

We believe that many of the complaints we heard from managers and employees during the study were primarily the result of a lack of accurate information. A rumor mill is always active in any organization, but inaccurate rumors will gain credibility if management does not offer regular, accurate information to dispel them. We heard a number of stories during the study about alleged abuses of the APS system. We researched two of the most common stories -- which were generally accepted as fact by a wide range of employees -- and found evidence that neither was true. This is not to say that all of the stories we heard are incorrect, but in the absence of accurate information from management these sort of "urban legends" will continue to dominate the hallways of the Corporation and negatively impact the attitudes of employees and managers.

C. Political Uncertainty

The Corporation's historically controversial political situation also adds to employee uncertainty about the future, which may prompt some of the concerns and complaints about the organization. This uncertainty is impossible to control, but providing more information to the staff about political issues might help to arrest rumors and allay some of their concerns.

D. Roles and Responsibilities

It became clear to us during the study that many managers and employees are not clear about the roles and responsibilities of various offices in the organization, and their own roles and responsibilities. This adds to confusion and a sense that decisions are made in secret rather than in the daylight.

E. Field vs. Headquarters

Many field employees feel that headquarters does not understand the complexities of their operations or the unique environments within which they operate. Many field staff also do not feel that they receive the needed level of support, information, and guidance from headquarters.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

F. Telecommuting/Flexible Schedules

Many employees feel that alternative work schedules and telecommuting are available only to select employees and that criteria to determine opportunities for telecommuting or flexible schedules are routinely ignored.

G. Verifying Salaries for Candidates

We learned during the course of the study that a candidate's current salary is taken into consideration in setting his/her salary level with the Corporation. This is a common practice, and is necessary to ensure that an offer is high enough in relation to a candidate's current salary to be attractive. However, organizations that place heavy emphasis on current salaries typically require the candidate to provide evidence (e.g., a pay stub, W-2, tax return, or other document) to verify his/her current salary. It appears that the Corporation is not verifying salaries in all cases, which may lead to errors. This is an issue the organization should address and resolve.

H. Comparison with Peace Corps

During the course of the study, a number of employees compared the APS with the HR system used by the Peace Corps. Accordingly, we interviewed the Director and Deputy Director of Human Resources for the Peace Corps to gain an understanding of their system. We found that they also use term appointments as their primary hiring vehicle, but their appointments are for 5 years without renewal (except in extremely rare instances). They are facing many of the same challenges as the Corporation, including an employee focus on short-term activities rather than long-term strategy. Given the similarities of the HR systems, the Peace Corps may be able to provide a useful point of view as the Corporation considers options for its future human capital strategy.

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

IX. Options for Improvement

APS SYSTEM		
Observation #1	Options for Improvement:	Advantages and Disadvantages:
<p>The APS was developed in 1995 and does not appear to have been reviewed recently by senior management to ensure that it is well designed to support the Corporation's current and future objectives and needs. Term appointments may encourage a short-term mindset, for instance, which may or may not be good for the Corporation.</p>	<ul style="list-style-type: none"> • Look toward the future and develop an overall Human Capital strategy for the Corporation that focuses on short-term and long-term needs assessment, succession planning, motivation, retention, and realistic budget projections. • Reexamine APS, clarify its legal flexibilities, and align its provisions with Corporation's current and future strategy. • Consider changing the system, as appropriate, to improve its usefulness to the organization. 	<p>Adv: Improved alignment of HR systems to support mission and goals of the organization. More efficient use of human resources.</p> <p>Disadv: Significant commitment of time and attention by senior management.</p>
Observation #2	Options for Improvement:	Advantages and Disadvantages:
<p>APS policies and procedures are not well defined in many important areas (e.g., criteria for term vs. general appointments, lengths and renewals of term appointments). As a result, many managers and employees do not understand the rules of the game.</p>	<ul style="list-style-type: none"> • Redraft policies to clarify current provisions that are unclear, and to include areas that are missing. • Disseminate new policies to managers and employees; provide training. • Clearly define roles and responsibilities for managers, supervisors, HR, and others. 	<p>Adv: Better understanding by managers and employees, better decisions, more consistency in application across the organization, increased credibility of the system.</p> <p>Disadv: Unless drafted properly, additional specificity may reduce management's flexibility and discretion.</p>

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

Observation #3	Options for Improvement:	Advantages and Disadvantages:
<p>There is no "honest broker" in management who can focus on employee concerns and resolve them in a fair and impartial manner. Roles and responsibilities among HR, EEO, and General Counsel are also unclear which leads to a lack of cooperation.</p>	<ul style="list-style-type: none"> • Create new Chief Human Capital Officer position responsible for HR, EEO, human capital strategy, and union and employee relations. Reports to CEO and serves on senior leadership team. Coordinates EEO and HR offices, and decides most EEO issues for the Corporation. 	<p>Adv: Creates senior-level "honest broker" to focus on employee relations issues, and consolidates HR and EEO in one office for effective operations. Is a peer of other executives.</p> <p>Disadv: Creates another executive position. Unless handled correctly, may interfere with decisions that should reside with department managers.</p>
Observation #4	Options for Improvement:	Advantages and Disadvantages:
<p>There is too much reliance now on <i>ad hoc</i> internal controls to ensure compliance with APS policies and to provide coordination and comparability across the organization.</p>	<ul style="list-style-type: none"> • Revise APS policies and procedures to set up written criteria and other internal controls to improve comparability across the organization. Establish clear delegations of authority for line managers, HR, and other offices. • Task Chief Human Capital Officer with responsibility for ensuring that policies & procedures are understood and followed. • Consider creating new internal control process based on budget allocations to each department. • Provide training for managers and employees, as appropriate. 	<p>Adv: Improved quality of decisions, efficiency, and credibility of the APS.</p> <p>Disadv: Commitment of time and attention by senior management. Unless drafted properly, controls may over-regulate discretion line managers need to operate efficiently.</p>

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

Observation #5	Options for Improvement:	Advantages and Disadvantages:
<p>HR decision-making roles and responsibilities are not clear among department heads, line managers, HR and other offices.</p> <p>The Office of Human Resources focuses too heavily on supporting managers and not enough on providing assistance to employees.</p>	<ul style="list-style-type: none"> • Define roles and responsibilities for managers, supervisors, HR, and operating departments regarding HR decisions. • Redefine the role and philosophy of the HR office to focus on providing information and assistance to both managers and employees. HR's most important client is the Corporation, which means it must always do what is best for the organization as a whole. HR should be both a learned advisor for managers, and a monitor to ensure that employees are being treated fairly and reasonably. 	<p>Adv: Improved understanding of system, coordination, and speed/quality of decisions. HR more effective in preventing problems, and more trusted by employees.</p> <p>Disadv: Time and attention to sort out roles; training for managers, supervisors, others on new responsibilities. HR will need to share time between managers and employees, which could reduce availability to managers.</p>
Observation #6	Options for Improvement:	Advantages and Disadvantages:
<p>A number of employees report that the opportunities for advancement and salary increases under APS were misrepresented (oversold) to them when they were recruited.</p> <p>Employees and managers also complain that funding for salary increases has been insufficient the last several years to reward all deserving employees. As a result, managers have rationed increases and/or alternated increases among employees.</p>	<ul style="list-style-type: none"> • Clarify rules and reasonable expectations for managers and support staff involved in recruitment. • Provide written guidance to everyone involved in recruitment advising what should and should not be said. • Clarify language in offer letters to very clearly outline reasonable expectations. • To the extent possible, amend the annual budgeting process to set aside sufficient funding for salary increases for deserving employees. <p>Make budgeting for salary increases a priority within the Corporation's administrative budget.</p>	<p>Adv: More accurate representation of opportunities to candidates. More realistic expectations by new hires and their managers. Budgeting for salary increases will demonstrate that rewarding employees is a priority of management.</p> <p>Disadv: Time for developing new procedures and guidance, and for training managers. May lose some candidates when more accurate picture of opportunities is presented.</p>

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

Observation #7	Options for Improvement:	Advantages and Disadvantages:
<p>The performance management process is not seen as valuable by most managers and employees:</p> <ul style="list-style-type: none"> · Perfunctory · Pass/fail does not identify high performers · Inadequate emphasis on employee development · No direct tie to compensation or rewards 	<ul style="list-style-type: none"> • Redesign the performance management system, most likely to include a 5-level rating scale. • Include employee development as a critical responsibility for managers. • Factor ratings into compensation decisions for both salary increases and performance awards. 	<p>Adv: More useful tool for managers and employees to assess progress and plan development. Sound, documented basis for salary increases and other compensation decisions.</p> <p>Disadv: Commitment of increased time and attention from both managers and employees for performance management.</p>
Observation #8	Options for Improvement:	Advantages and Disadvantages:
<p>New hires are not required to complete and sign an application form certifying the accuracy of their credentials.</p> <p>Further, candidate salaries are not always verified during the hiring process even though current salary is an important factor in setting salary at the Corporation.</p>	<ul style="list-style-type: none"> • Require all applicants who pass an initial screening and are invited to interview to complete and sign a Corporation application form certifying the accuracy of their credentials and salary levels. • Require all candidates who are in the top 2 or 3 finalists for selection to submit evidence verifying their current salaries, typically in the form of a pay stub, W-2, tax return, or other document. • Set salaries for new hires based on a combination of factors, to include: relevant experience, relevant education, history of performance, comparability with other employees in similar positions at the Corporation, and previous compensation. 	<p>Adv: More reliable candidate information and documentation to use in the selection and salary setting process.</p> <p>Disadv: Additional requirements may slow the recruitment process in some cases, and may deter some candidates.</p>

EEO		
Observation #9	Options for Improvement:	Advantages and Disadvantages:

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

<p>There is a strong feeling among many African American employees that they are treated differently than white employees.</p> <p>Some women and minorities also feel that they are paid less than males or non-minorities performing essentially the same work.</p>	<ul style="list-style-type: none"> • Reinforce that discrimination in any form will not be tolerated at the Corporation. • Conduct a detailed EEO analysis of hiring, compensation, salary increases, promotions, awards, and disciplinary actions to identify any areas where disparate treatment or adverse impact may exist. • Create a Chief Human Capital Officer position and charge that person with ensuring that employees are treated fairly and that minority concerns are taken into consideration in management decisions. • Establish a proactive diversity program to demonstrate management's commitment to an inclusive environment. Provide training for all managers and employees. Clarify and explain the APS policies and procedures, and ensure that procedures are followed in personnel decision making. • Ensure that the EEO review and adjudication process is timely, fair, and objective. 	<p>Adv: Increased confidence in the organization's fairness and increased credibility of the APS system. Reduced perception of favoritism and bias among employees. Increased feeling of inclusion and acceptance among all employees. Fewer formal EEO complaints.</p> <p>Disadv: Commitment of time and attention by managers at all levels. Cost of developing and administering new programs. Additional oversight could be perceived as reducing management flexibility.</p>
--	--	---

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

Observation #10	Options for Improvement:	Advantages and Disadvantages:
<p>Although African Americans are well represented overall in the Corporation, they are more heavily represented at the lower grade levels. There are no African Americans, for instance, at the NX-2 executive level.</p>	<ul style="list-style-type: none"> • Conduct a study to determine why African Americans are more highly represented at lower grades. • Ensure that the Corporation's recruitment and promotion programs reach out to candidates of all races. • Ensure that employees understand that there are limited opportunities for advancement in a small organization, and that employees have reasonable expectations. • Encourage employees to develop the skills and competencies needed to assume higher-level positions in the Corporation or elsewhere. 	<p>Adv: Assurance that the Corporation's recruitment and advancement policies and procedures are fair and equitable. More highly trained workforce with higher morale.</p> <p>Disadv: Potential higher expenditures for training and development. Potential loss of some employees who will move to other organizations that can offer greater advancement opportunities</p>
Observation #11	Options for Improvement:	Advantages and Disadvantages:
<p>The roles and responsibilities of the HR Office, the EEO Office and the Office of the General Counsel are not clear with regard to EEO matters. As a result, relations among the three offices are often strained and uncooperative rather than focused on solving problems. This lack of clarity and strained relationships adds to the EEO discord in the organization.</p>	<ul style="list-style-type: none"> • Clarify and redefine the roles and responsibilities for EEO office, HR and GC. Assign EEO and HR to report to the Chief Human Capital Officer. • Clarify the EEO complaint process to specify the steps and responsibilities of the various parties. • Provide training to line managers to improve their understanding of their roles and obligations under the process. 	<p>Adv: Better understanding of the process, better cooperation, more frequent informal resolutions of potential complaints, less confusion among departments.</p> <p>Disadv: If not done properly, perception could arise among employees that EEO is aligned with management and no longer an objective and impartial resource.</p>

**OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
REVIEW OF THE ALTERNATIVE PERSONNEL SYSTEM
FINAL REPORT – MARCH 26, 2003**

Other Issues		
Observation #12	Options for Improvement:	Advantages and Disadvantages:
<p>APS employees are not eligible for competitive status through OPM.</p>	<ul style="list-style-type: none"> • Actively pursue an agreement with OPM to allow APS employees of the Corporation to gain competitive status when applying for other Federal government positions. 	<p>Adv: Working for the Corporation would be more attractive because it could lead to competitive status and potential employment with Government Agencies.</p> <p>Disadv: More opportunities could lead to increased turnover.</p>
Observation #13	Options for Improvement:	Advantages and Disadvantages:
<p>Many managers and employees feel they do not receive enough information from the executive team. As a result, the rumor mill is unusually active, and is frequently believed in the absence of accurate information provided by management.</p>	<ul style="list-style-type: none"> • Establish a proactive internal communications program focused on providing accurate, timely information and messages to the entire workforce. • Assign a “specialist” to coordinate the Corporation’s internal messages. • Create and maintain a meaningful employee newsletter, which recognizes employee and programmatic achievements and milestones. • Provide more information to managers and employees to explain the Corporations’ political and budgetary situation. 	<p>Adv: Dispels inaccurate information; enhances sense of community among employees; increases credibility of messages from senior management.</p> <p>Disadv: Hiring staff, publishing communications media, and creating a coordinated communications strategy is costly and requires the time and attention of senior management.</p>