

June 23, 2003

The Honorable J. Russell George
Inspector General
Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW
Suite 830
Washington, DC 20525

Dear Mr. George:

We have reviewed the Alternative Personnel System Limited Scope Review (OIG Review 02-039). Thank you for conducting this study pursuant to the request of the Board and me.

As you know, the Chairman of the Board and I have expressed great concern about the current status of the Corporation's personnel system and requested this review in order to help us identify the areas in greatest need of repair. Together with an analysis done by the Office of Merit System Oversight and Effectiveness of the Office of Personnel Management, this report provides us with great detail about some of the changes we need to make. We plan to implement the recommendations as soon as we feasibly can.

Below you will find a description of some of the personnel improvements we have identified for immediate action, many of which address the findings of this report.

1. **Chief of Human Capital Officer.** We are in the process of seeking to hire a Chief of Human Capital Officer. The CHCO will supervise the Director of Human Resources, the Director of Equal Opportunity, soon-to-be established offices of Internal Communications and Training.
2. **Human Capital Strategy.** The new CHCO will be tasked with developing a human capital strategy designed to align the Corporation's workforce more strategically with our current and future objectives. This plan will focus on both the numbers of individuals working for the Corporation and the current workload, as well as the appropriateness of the current configuration of the Alternative Personnel System (APS), to identify possible areas for improvement.



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3. **Training.** The new CHCO will be tasked with reviewing existing training programs and developing a formal schedule of training for employees, including an extensive training course for supervisors to clarify the roles of supervisors, managers and the Human Resources Department. We will be requesting specific budget funds for training and make any organizational changes necessary to utilize these resources most effectively.
4. **Internal Communications.** The new CHCO will be tasked with reviewing current internal communications and creating an internal communications system for the Corporation designed to increase transparency. As necessary, funds will be budgeted and organizational changes will be made to implement this system effectively. The Department of Public Affairs will also be involved to ensure that internal and external communications are consistent, accurate and complete.
5. **Re-constitution of the Compensation Committee.** As you know, the Compensation Committee has been reconstituted. This committee is chaired by the Chief Financial Officer (elected by the committee) and has membership as described in the attached documents (See Attachment A.) This committee is tasked with ensuring that pay adjustments and cash awards are distributed fairly, as well as making recommendations to the CHCO and CEO regarding the personnel management and reward processes. The guidelines for the process are also attached (See Attachment B.)

This newly formed committee has invited non-voting members to observe and participate in the proceedings, with the intent of producing transparency and open communication regarding the rewards system.
6. **Planning for salary increases and cash awards.** Our CFO has committed to including funding for salary increases and cash awards in the 2005 budget request.
7. **Diversity Council.** A working group has been formed to create a diversity council. The CHCO will be tasked with working with this group and implementing the recommendations of this important initiative, which I fully support.
8. **Performance Appraisal System.** The CHCO will be tasked with development of an overall performance management system, including a new performance appraisal system to replace the current two-tiered system. Development of this system will involve employees and managers, and, in all likelihood, negotiations with our Union.



9. **Updating the Personnel Handbook.** The CHCO will be tasked with updating the alternative personnel handbook to reflect any necessary changes from above. This document has not been updated since it was written. We will update and review any changes with the Office of Personnel Management.
10. **Competitive Status.** We are currently exploring whether, and to what extent, we may obtain permission from OPM for a grant of competitive status to Corporation employees who apply for competitive service positions at other Federal agencies.
11. **Union Relations.** Both our Board Chairman Stephen Goldsmith and I have met with Union Leadership to discuss these issues and have continued the dialogue through the Corporation's Chief of Staff. We are hopeful these discussions will continue to be productive.
12. **Alternative Dispute Resolution.** We are working with our ADR team to encourage greater use of this program.
13. **Independent Legal Review for EO Office.** To promote the EO office's impartiality, we have decided to contract out for independent legal review of final agency decisions and other documents prepared by our EO office.

Please note the Organizational Chart included on Page 6 of the report is misrepresentative a few key areas within the Corporation, primarily, the reporting structure of the Chief Financial Officer. Our CFO reports directly to me. There are a few other minor changes that I would be happy to discuss in further detail at your convenience.

Both Chairman Goldsmith and I believe that an organization can only be as good as the people who work for it. We are committed to ensuring that the strong attachment to the Corporation's mission felt by our employees is matched by a personnel system that effectively utilizes and rewards their skills and treats them fairly. This report will be a great help in our efforts to achieve that goal.

Sincerely,



Leslie Lenkowsky
Chief Executive Officer

Attachments



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Notes from the Compensation Committee
Tuesday, April 22, 2003

COMPENSATION COMMITTEE

Voting Members: Michelle Guillermin, Chief Financial Officer
Amy Mack, Chief of Staff
Russell George, Inspector General
Mike Berning, Director of Field Liaison
Katherine Hoehn, Director of Congress. & Intrgv. Affrs.
John Foster Bey, Office Head Representative

Non-voting Advisory

Members: Frank Trinity, General Counsel
Colleen Lanza, Acting Director of Human Resources
David Reingold, Director of Research and Policy Dev.
Angela Roberts, Supervisory Employee
Calvin Dawson, Non-supervisory Employee
Jerry Yetter, Financial Management Office Representative
Damon Bolden, Union Representative
Rosa Harrison, AmeriCorps Office Supervisor
John Hosteny, State Program Specialist, Illinois State Office

MEMORANDUM

DATE: June 6, 2003

TO: All Corporation Employees

FROM: Colleen Lanza, Acting Director of Human Resources

SUBJECT: Guidelines for Discretionary Pay Adjustments and Awards Based Upon FY02 Employee Performance

The following guidelines were established by the Compensation Committee and approved by the Chief Executive Officer for decisions related to discretionary pay adjustments and cash awards under the Corporation's Alternative Personnel System.

Employees eligible for pay adjustments and awards, must have been employed by the Corporation on June 30, 2002. The basis for this decision is that this pay adjustment and award process is to recognize contributions made during FY2002. Employees must be with the Corporation at least 90 days in order to receive a performance evaluation, therefore, the same criteria will be used for pay adjustments and awards. Employees who started with the Corporation after June 30, will be evaluated in the next pay adjustments/awards process.

The pool of money available for pay adjustments and awards was established through the development of a funding pool model which calculates the pool based on the average salary and the total FTE's (Full Time Equivalent) of each pay band by Department. The FTE's include APS employees and GS employees. This model also allows an even disbursement of the funding pool throughout the Corporation.

Discretionary pay adjustments are made to individuals whose continued accomplishments, contributions to the work unit, innovation, and/or contribution to the mission of the Corporation warrants an adjustment to their base salary. All employees who were employed in the Alternative Personnel System prior to June 31, 2002, are eligible for consideration for pay adjustments, with the exception of employees at the top of their pay band and temporary employees. To support pay adjustments, Department Heads must provide:

- clear written justification to support the decision; and
- indicate the amount of increase to the base salary of the employee;

Cash awards are granted to groups or individuals to recognize significant accomplishments, improved service, fostering teamwork, saving money and improving morale. Consultants, temporary employees, interns, contractors or Presidential Appointees are not eligible for awards. The maximum cash award is \$10,000 and, in accordance with the policy stated in the alternative personnel handbook, no employee may receive more than three monetary awards in a 12-month period.

All employees on board as of June 30, 2002, are eligible for consideration for individual and group accomplishment awards, with the exception of those serving as special government employees (as experts and consultants).

It is important to keep in mind that decisions affecting pay not only affect the annual salaries of employees, but also, and significantly, affect the growth of the Corporation's administrative budget from year to year. The allocation for awards and pay adjustments for your Department is provided as an attachment. This process is not intended to provide an award or pay adjustment to every individual in the Corporation, but instead to recognize high achievement and contribution among that group.

Department Heads or person designated in the absence of the Department Head, have final responsibility for pay adjustment and award decisions. This responsibility includes ensuring the total planned increases are within the funds allocated and that decisions are based on the criteria specified in this memorandum.

For each employee who will receive a pay adjustment or award, the attached form must be completed, documenting his/her reasons for making the decision to grant the award or pay adjustment. These forms are forwarded to the Chief Financial Officer and will be maintained on file in the Human Resources Office.

A decision not to grant a pay adjustment must also be documented on the attached form but a reason for the decision is not required.

Recommendations, including supporting certifications, from Departments are due to Colleen Lanza for referral to the Chief Financial Officer by **June 20, 2003**. Your recommendations must be reviewed by the Chief Financial Officer to ensure fairness and equity in pay adjustments Corporation-wide. The CFO will not be reviewing whether or not an individual should receive an award, but instead, whether any anomalous situations exist across departments. Do not communicate your decisions to employees until the CFO has completed her review.

The Office of Human Resources has provided salary, pay band and relevant historical data for each Department. Please contact me if you have any questions about these materials or the process.

Once recommended pay adjustments and awards have been confirmed by the Chief financial Officer, supervisors and managers will be notified that they can communicate with the recipients that they are being recognized by a pay adjustment or award for their contribution to the Corporation.

Provide coaching to employees on the contributions and accomplishments that you believe merited pay adjustments in your unit. The same type of feedback to the employees who did not receive an award or pay adjustment will help them to understand what they need to do for future pay adjustments and awards.

Attachments

In making pay adjustment and cash award decisions, consideration may be given to the following:

1) Performance. Performance during the FY2002 performance year, either as an individual or as a member of a group. In considering performance for pay decisions, managers should assess the employee's value to the organization, the employee's contributions to the future effectiveness of the organization, and the impact this employee's departure would have on the organization. In assessing performance, the following definitions are provided as examples of differences in performance which could be recognized:

Exceptional: Possesses a unique set of abilities that lead to superior results. Continually goes "above and beyond", consistently exceeds objectives and expectations. Is recognized outside operating sphere, and is sought after by other organizations. Will take risks and is willing to fail. Learns rapidly and puts learning into action.

High Contributor: Willing to go the extra mile. Exceeds key objectives and expectations. Leadership qualities surface. A "can-do" self-starter, who continually seeks ways to improve. Is mission-oriented versus job/task oriented. Effectively plans, strategies and anticipates. May have a special skill set that is of particular value to the organization.

2) Changes in the employee's position responsibilities including growth in skills and/or competencies. The manager should look at the nature of the work the employee is performing and compare it against the duties at the current pay level. The employee's position description serves as a tool to help evaluate the level at which the employee should be compensated. In reviewing the work against the job description, the following should be considered:

a) If the position describes duties for which appropriate compensation would fall in the lower end of the pay band, and the duties being performed fall within the description, there may not be a need for an increase.

b) If the individual is performing the full range of higher level duties described in the position description, but is compensated at the lower end of the pay band an increase may be warranted. This may be evident by the degree of independence the employee appropriately exercises in performing the work, and the amount or level of supervision required.

c) Managers should keep in mind that sometimes the value of an employee can result in a supervisor assigning significantly higher level duties because the employee is capable of performing and the job evolves into one which is more appropriately classified in a higher pay band. Growth in the employee's work assignments may more appropriately warrant a promotion to the next band rather than attempting to recognize their contributions through a discretionary within band increase. (Such actions will require a Request for Personnel Action, SF-52 and a new position description and may be made non-competitively through pay band 3. Competition is required for promotions to pay band 4).

3) Previous awards and pay Adjustments. Current and historical information, including awards and pay adjustments for the last two fiscal years, current salary and pay band. This information is provided as attachment to this memo. The fact that an individual has or has not received an award or pay adjustment in the preceding years, however, is not necessarily a reason to recommend or not recommend one this year.

4) Pay disparity. Pay disparity which may exist between employees within the same job description and work unit and performing at the same level of competence and effectiveness.

5) Top of the band. If an employee is at the top of the pay band, no adjustment can be made. Therefore, an award should be considered.

6) Non-monetary awards. Awards can be a cash award or a non-monetary recognition, such as a time-off award. In some cases, employees would prefer to get a time-off award rather than a cash award.

2002 Salary Review

NAME:

_____ No pay adjustment.

_____ Pay adjustment is based on the following (**cite specifics using job related factors**):

Current BASE salary \$ _____

Amount of increase \$ _____ % _____

Signature of Recommending Official

Signature of Department Head

2002 Cash Award Justification

Name of Employee: _____

Justification for Award (cite specific achievements, accomplishments, contributions):

Award Amount: \$ _____

Signature of Recommending Official

Signature of Department Head