



Highlights of [GAO-05-391T](#), a report to Subcommittee on the Federal Workforce and Agency Organization, Committee on Government Reform, House of Representatives

Why GAO Did This Study

People are critical to any agency transformation, such as the one envisioned for the Department of Homeland Security (DHS). They define an agency's culture, develop its knowledge base, and are its most important asset. Thus, strategic human capital management at DHS can help it marshal, manage, and maintain the people and skills needed to meet its critical mission. Congress provided DHS with significant flexibility to design a modern human capital management system. DHS and the Office of Personnel Management (OPM) have now jointly released the final regulations on DHS's new human capital system.

Last year, with the release of the proposed regulations, GAO observed that many of the basic principles underlying the regulations were consistent with proven approaches to strategic human capital management and deserved serious consideration. However, some parts of the human capital system raised questions for DHS, OPM, and Congress to consider in the areas of pay and performance management, adverse actions and appeals, and labor management relations. GAO also identified multiple implementation challenges for DHS once the final regulations for the new system were issued.

This testimony provides overall observations on DHS's intended human capital system and selected provisions of the final regulations.

www.gao.gov/cgi-bin/getrpt?GAO-05-391T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Eileen Larence at (202) 512-6806 or larencee@gao.gov.

HUMAN CAPITAL

Observations on Final DHS Human Capital Regulations

What GAO Found

GAO believes that DHS's regulations contain many of the basic principles that are consistent with proven approaches to strategic human capital management. Positively, the final regulations provide for (1) a flexible, contemporary, performance-oriented, and market-based compensation system, including occupational clusters and pay bands; (2) continued involvement of employees and union officials throughout the implementation process, such as by participating in the development of the implementing directives and holding membership on the Homeland Security Compensation Committee; and (3) evaluations of the implementation of DHS's system.

On the other hand, GAO has three areas of concern that deserve attention from DHS senior leadership. First, DHS has considerable work ahead to define the details of the implementation of its system and getting those details right will be critical to the success of the overall system. Second, the performance management system merely allows, rather than requires, the use of core competencies that can help to provide reasonable consistency and clearly communicate to employees what is expected of them. Third, the pass/fail ratings or three summary rating levels for certain employee groups do not provide the meaningful differentiation in performance needed for transparency to employees and for making the most informed pay decisions.

Going forward, GAO believes that especially for this multiyear transformation, the Chief Operating Officer/Chief Management Officer concept could help to elevate, integrate, and institutionalize responsibility for the success of DHS's new human capital system and related implementation and transformation efforts. Second, a key implementation step for DHS is to assure an effective and on-going two-way communication effort that creates shared expectations among managers, employees, customers, and stakeholders. Last, DHS must ensure that it has the institutional infrastructure in place to make effective use of its new authorities. At a minimum, this infrastructure includes a human capital planning process that integrates human capital policies, strategies, and programs with its program goals, mission, and desired outcomes; the capabilities to effectively develop and implement a new human capital system; and importantly, the existence of a modern, effective, and credible performance management system that includes adequate safeguards to help assure consistency and prevent abuse.

While GAO strongly supports federal human capital reform, how it is done, when it is done, and the basis on which it is done can be the difference between success and failure. Thus, the DHS regulations are especially critical because of their potential implications for related governmentwide reform.