



Highlights of [GAO-06-1125T](#), testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

The government's senior executives need to lead the way in transforming their agencies' cultures. Credible performance management systems—those that align individual, team, and unit performance with organizational results—can help manage and direct this process. In past work, GAO found that the performance management systems for senior executives fell short in this regard. In November 2003, recognizing that reforms were needed, Congress authorized a new performance-based pay system that ended the practice of giving annual pay adjustments to senior executives. Instead, agencies are to consider such factors as individual results and contributions to agency performance. If the Office of Personnel Management (OPM) certifies an agency's new performance system and the Office of Management and Budget (OMB) concurs, the agency has the flexibility to raise the pay of its highest performing senior executives above certain pay caps.

This testimony addresses (1) the performance management system's regulatory structure, (2) OPM's certification process and agencies' views of it, and (3) OPM's role in monitoring the system, and the number of agencies that have been certified to date. This statement is based on GAO's issued work, which included interviews with senior OPM officials, agency Chief Human Capital Officers and Human Resource officers, and reviews of agency documents.

[www.gao.gov/cgi-bin/getrpt?GAO-06-1125T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-1125T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Brenda S. Farrell at (202) 512-3604 or [farrellb@gao.gov](mailto:farrellb@gao.gov).

## HUMAN CAPITAL

# Aligning Senior Executives' Performance with Organizational Results Is an Important Step Toward Governmentwide Transformation

## What GAO Found

Overall, the regulations that OPM and OMB developed to administer a performance-based pay system for executives serve as an important step for agencies in creating an alignment or "line of sight" between executives' performance and organizational results. To qualify for the pay flexibilities included in the statute, OPM must certify and OMB must concur that an agency's performance management system meets nine certification criteria, including demonstrating that its performance management system aligns individual performance expectations with the mission and goals of the organization and that its system as designed and applied makes meaningful distinctions in performance. The certification criteria are generally consistent with key practices for effective performance management systems GAO identified that collectively create a line of sight between an individual's performance and an organization's success. To receive a full 2-calendar-year certification, an agency must document that its senior executive performance management system meets all nine of the criteria. Agencies can meet four of nine criteria and demonstrate that their system in design meets the remaining certification criteria to receive 1-year provisional certification and use the higher pay rates.

Two divisions in OPM, as well as OMB, independently review agencies' certification submissions. A number of agencies GAO contacted expressed concern over OPM's ability to communicate expectations, guidance, and deadlines to agencies in a clear and consistent manner. OPM officials agreed that agencies need better guidance and were working on improvements.

In monitoring agencies' performance management systems, OPM can suspend an agency's certification at any time with OMB concurrence if an agency is not complying with the certification criteria. According to OPM data, performance management systems at 24 agencies were certified during calendar year 2006. Of these, only the Department of Labor's system received full certification; the remaining systems received only provisional certification. These findings are not surprising. As GAO has noted in its past work, agencies could find it initially difficult to provide the necessary performance data to receive full certification. Going forward, it will be important for OPM to continue to monitor the certification process to help ensure that provisional certifications do not become the norm, and agencies develop performance management systems for their senior executives that meet all of OPM's requirements.

The new performance management system for the government's senior executives will help agencies align individual, team, and unit performance with organizational results. Although there have been some implementation challenges, what will be important is how OPM works with agencies to meet the certification criteria. Moreover, the lessons learned in implementing the senior executive performance management system can be applied to modernizing the performance management systems of employees at other levels.