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**FEDERAL LAW
ENFORCEMENT**

**Selected Issues in Human
Capital Management**

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Chairwoman Jo Ann Davis, Chairman Mark Souder, and Members of the Subcommittees:

Many federal agencies in the Washington, D.C., metropolitan area have their own police forces to ensure the security and safety of the persons and property within and surrounding federal buildings. In the executive branch, for example, the Secret Service has over 1,000 uniformed officers protecting the White House, the Treasury Building, and other facilities used by the Executive Office of the President. The Interior Department's Park Police consists of more than 400 officers protecting parks and monuments in the area. The Pentagon Force Protection Agency has recently increased its force to over 400 officers. Even the Health and Human Services Department maintains a small police force on the campus of the National Institutes of Health (NIH) in Bethesda, Maryland. In addition, there are federal uniformed police forces in both the Legislative and Judicial Branches of the federal government.

After the terrorist attacks of September 11, 2001, and the government's subsequent efforts to increase airline security, many of these local police forces began experiencing difficulties in recruiting and retaining officers. Police force officials raised concerns that the newly created Transportation Security Administration (TSA) and its Federal Air Marshal Program were luring many prospective and experienced officers by offering better starting pay and law enforcement retirement benefits. Former Congresswoman Morella asked us to look into these concerns. I would like to summarize the results of that review, which was published last month.¹

- Most forces reported experiencing recruitment difficulties. Officials at 8 of the 13 forces told us they experienced moderate to very great recruiting difficulties. Despite this, none of the 13 forces used available human capital flexibilities, such as recruitment bonuses or student loan repayments in fiscal year 2002, to try to improve their recruiting efforts.

¹U.S. General Accounting Office, *Federal Uniformed Police: Selected Data on Pay, Recruitment, and Retention at 13 Police Forces in the Washington, D.C., Metropolitan Area*, [GAO-03-658](#) (Washington, D.C.: June 13, 2003).

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- In fiscal year 2002, many of the local forces experienced sizable increases in turnover, mostly due to voluntary separations. About half of the officers who left voluntarily went to the TSA. Some of the forces provided retention allowances and incentive awards to try to retain more of their officers.
 - Entry-level pay at the 13 agencies during fiscal year 2002 ranged from \$28,801 to \$39,427, a gap that narrowed for some of the forces in fiscal year 2003 because officers at 12 of the 13 agencies received increased entry-level pay.

However, information we have gathered since we issued our report indicates that turnover in most of the police forces has dropped significantly during fiscal year 2003. The increase in turnover that occurred at 12 of the 13 police forces during fiscal year 2002 appears to be associated with the concurrent staffing of the TSA Federal Air Marshal Program. TSA's hiring of air marshals during fiscal year 2003 has been pared back.

To perform our work, we identified federal uniformed police forces with 50 or more officers in the Washington Metropolitan Statistical Area (MSA)—13 in all. We interviewed officials responsible for human capital issues and obtained documents on recruitment and retention issues. Using this information, we created a survey and distributed it to the 13 police forces to obtain information on entry-level pay and benefits, officer duties, turnover rates,² recruiting difficulties, and the availability and use of human capital flexibilities to recruit and retain officers. We reviewed and analyzed the police forces' responses for completeness and accuracy and followed-up on any missing or unclear responses with appropriate officials.

Chairwoman Davis, at your request and the request of Senator Voinovich, we have continued to examine the transformation of 22 agencies with an estimated 160,000 civilian employees into the Department of Homeland Security (DHS). To learn from private sector mergers and acquisitions, we

²To calculate the turnover rates, we divided the total number of police officers who separated from the police forces by the average number of officers on-board at the beginning of the fiscal year and the number of officers on-board at the end of the fiscal year. For each police force, we included as separations both those who left the police force, as well as those who transferred from the police officer series (GS-0083) to other job series within the force.

identified key practices and their implementation steps that can serve as a basis for federal agencies, including DHS, seeking to transform their cultures to be more results-oriented, customer-focused, and collaborative in nature. Our report on these implementation steps is being released today.³

Some of these steps are to

- define and articulate a succinct and compelling reason for change;
- identify cultural features of merging organizations to increase understanding of former work environments;
- adopt leading practices to implement effective performance management systems with adequate safeguards; and
- involve employees in planning and sharing performance information.

Federal Police Forces in Washington, D.C.

Although the specific duties police officers perform may vary among police forces, federal uniformed police officers are generally responsible for providing security and safety to people and property within and sometimes surrounding federal buildings. There are a number of federal uniformed police forces operating in the Washington MSA, of which 13 had 50 or more officers as of September 30, 2001. Table 1 shows the 13 federal uniformed police forces included in our review and the number of officers in each of the police forces as of September 30, 2002.

³U.S. General Accounting Office, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

Table 1: Federal Uniformed Police Forces with 50 or More Officers Stationed in the Washington MSA

Department	Uniformed police force	Number of officers on-board as of September 30, 2002
Executive branch		
Department of Defense	Pentagon Force Protection Agency	259
Department of the Interior	U.S. Park Police	439
Department of Justice	Federal Bureau of Investigation Police	173
Department of the Treasury	Bureau of Engraving and Printing Police	120
	U.S. Mint Police	52
	U.S. Secret Service Uniformed Division	1,072
General Services Administration	Federal Protective Service	140
Department of Health and Human Services	National Institutes of Health Police	53
U.S. Postal Service	U.S. Postal Service Police	109
Legislative branch		
Government Printing Office	Government Printing Office Police	52
Library of Congress	Library of Congress Police	129
U.S. Capitol Police	U.S. Capitol Police	1,278
Judicial branch		
Supreme Court	Supreme Court Police	122
Total		3,998

Source: GAO analysis of data provided by the 13 police forces.

The enactment of the Homeland Security Act⁴ on November 25, 2002, had consequences for federal uniformed police forces. The act, among other things, established a new DHS, which includes 2 uniformed police forces within the scope of our review—the Federal Protective Service and the Secret Service Uniformed Division. Another component of DHS is TSA, a former component of the Department of Transportation. TSA includes the Federal Air Marshal Service, designed to protect domestic and international airline flights against hijacking and terrorist attacks. During fiscal year 2002, the Federal Air Marshal Program increased its recruiting significantly in response to the terrorist attacks of September 11, 2001. However, by fiscal year 2003, the buildup had been substantially completed. Because Federal Air Marshals are not limited to the grade and pay step structure of the federal government’s General Schedule, TSA has

⁴P.L. 107-296, 116 Stat. 2135 (2002).

been able to offer recruits higher compensation and more flexible benefit packages than many other federal police forces.

Federal uniformed police forces operate under various compensation systems. Some federal police forces are covered by the General Schedule pay system and others are covered by different pay systems authorized by various laws.⁵ Since 1984, all new federal employees have been covered by the Federal Employees Retirement System (FERS).⁶ Federal police forces provide either standard federal retirement benefits or federal law enforcement retirement benefits.⁷

Studies of employee retention indicate that turnover is a complex and multifaceted problem. People leave their jobs for a variety of reasons. Compensation is often cited as a primary reason for employee turnover. However, nonpay factors, such as age, job tenure, job satisfaction, and job location, may also affect individuals' decisions to leave their jobs.

During recent years, the federal government has implemented many human capital flexibilities to help agencies attract and retain sufficient numbers of high-quality employees to complete their missions. Human

⁵The General Schedule system consists of 22 broad occupational groups. Each group includes separate series that represent occupations in that group. The police series (GS-0083) is within the Miscellaneous Occupations group. The Office of Personnel Management (OPM) defines the police series as positions in which the primary duties are the performance or supervision of law enforcement work in the preservation of the peace; the prevention, detection, and investigation of crimes; the arrest or apprehension of violators; and the provision of assistance to citizens in emergency situations, including the protection of civil rights.

⁶FERS benefits are derived from three components: an annuity, a thrift savings plan, and Social Security. The basic annuity provided under FERS is computed on the basis of (1) years of service and (2) the 3 years of service with the highest annual salaries (high 3). Congress intended that the second component of FERS—the Thrift Savings Plan—be a key element of FERS. The Thrift Savings Plan provides for an employer contribution, including an automatic contribution of 1 percent of salary, along with a matching contribution of up to 5 percent. Social Security benefits make up the third component of the retirement package. The Civil Service Retirement System annuity, which applies to individuals hired prior to January 1, 1984, is a stand-alone annuity based on age and years of service.

⁷Under FERS, officers receiving federal law enforcement retirement benefits receive 1.7 percent of their high 3 multiplied by the first 20 years of service and 1 percent multiplied by each year of service greater than 20 years. Thus, a police officer who retires at age 50 with 20 years of service would receive 34 percent of the officer's high 3. After 30 years of service, the benefit would be 44 percent of the officer's high 3. Officers retiring under FERS would also receive benefits from their Thrift Savings Plan accounts and Social Security.

capital flexibilities can include actions related to such areas as recruitment, retention, competition, position classification, incentive awards and recognition, training and development, and work-life policies. We have stated in recent reports that the effective, efficient, and transparent use of human capital flexibilities must be a key component of agency efforts to address human capital challenges.⁸ The tailored use of such flexibilities for recruiting and retaining high-quality employees is an important cornerstone of our model of strategic human capital management.⁹

Most Forces Experienced Recruitment Difficulties

Eight of the 13 police forces reported difficulties recruiting officers from a moderate to a very great extent. Despite recruitment difficulties faced by many of the police forces, none of the police forces used important human capital recruitment flexibilities, such as recruitment bonuses and student loan repayments, in fiscal year 2002. Some police force officials reported that the human capital recruitment flexibilities were not used for various reasons, such as limited funding or that the flexibilities themselves were not available to the forces during the fiscal year 2002 recruiting cycle.¹⁰

Officials at 4 of the 13 police forces (Bureau of Engraving and Printing Police, the Federal Bureau of Investigation (FBI) Police, Federal Protective Service, and NIH Police) reported that they were having a great or very great deal of difficulty recruiting officers. In addition, officials at 5 police forces reported that they were having difficulty recruiting officers to a little or some extent or to a moderate extent. Among the reasons given for recruitment difficulties were:

- low pay;
- the high cost of living in the Washington, D.C., metropolitan area;
- difficulty completing the application/background investigation process; and
- better retirement benefits at other law enforcement agencies.

⁸U.S. General Accounting Office, *High Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington, D.C.: Jan. 2003).

⁹U.S. General Accounting Office, *A Model of Strategic Human Capital Management, Exposure Draft*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

¹⁰All executive branch agencies have the authority to use human capital flexibilities, such as recruitment bonuses and student loan repayments. However, agencies may choose not to offer them.

Conversely, officials at 4 of the 13 police forces (Library of Congress Police, the Supreme Court Police, U.S. Mint Police, and U.S. Postal Service Police) reported that they were not having difficulty recruiting officers. Library of Congress officials attributed their police force's lack of difficulty recruiting officers to attractive pay and working conditions and the ability to hire officers at any age above 20 and who also will not be subject to a mandatory retirement age.¹¹ Supreme Court officials told us that their police force had solved a recent recruitment problem by focusing additional resources on recruiting and emphasizing the force's attractive work environment to potential recruits. U.S. Postal Service officials reported that their police force was not experiencing a recruitment problem because it hired its police officers from within the agency. Table 2 provides a summary of the level of recruitment difficulties reported by the 13 police forces.

Table 2: Extent to Which Police Forces Reported Experiencing Recruitment Difficulties in the Washington MSA

Uniformed police force	Very great extent	Great extent	Moderate extent	Little or some extent	No extent
Library of Congress					•
Supreme Court					•
U.S. Capitol				•	
Pentagon Force Protection Agency			•		
Secret Service			•		
Park Police			•		
Bureau of Engraving and Printing	•				
U.S. Mint Police					•
Government Printing Office			•		
Federal Bureau of Investigation		•			
U.S. Postal Service					•
Federal Protective Service		•			
National Institutes of Health		•			
Total	1	3	4	1	4

Source: GAO analysis of data provided by the 13 police forces.

Although many of the police forces reported facing recruitment difficulties, none of the police forces used human capital recruitment

¹¹Police forces that are not covered by federal law enforcement retirement benefits do not have a mandatory retirement age.

tools, such as recruitment bonuses and student loan repayments, in fiscal year 2002.

Sizable Differences in Turnover Rates among the 13 Police Forces

Total turnover at the 13 police forces nearly doubled from fiscal years 2001 to 2002. Additionally, during fiscal year 2002, 8 of the 13 police forces experienced their highest annual turnover rates over the 6-year period, from fiscal years 1997 through 2002. There were sizable differences in turnover rates among the 13 police forces during fiscal year 2002. NIH Police reported the highest turnover rate at 58 percent. The turnover rates for the remaining 12 police forces ranged from 11 percent to 41 percent. Of the 729 officers who separated from the 13 police forces in fiscal year 2002, about 82 percent (599), excluding retirements, voluntarily separated. About 53 percent (316) of the 599 officers who voluntarily separated from the police forces in fiscal year 2002 went to TSA.¹² Additionally, about 65 percent of the officers who voluntarily separated from the 13 police forces during fiscal year 2002 had fewer than 5 years of service on their police forces.

The total number of separations at all 13 police forces nearly doubled (from 375 to 729) between fiscal year 2001 and 2002. Turnover increased at all but 1 of the police forces (Library of Congress Police) over this period. The most significant increases in turnover occurred at the Bureau of Engraving and Printing Police (200 percent) and the Secret Service Uniformed Division (about 152 percent). In addition, during fiscal year 2002, 8 of the 13 police forces experienced their highest annual turnover rates over the 6-year period, from fiscal year 1997 through 2002.

The turnover rates at the 13 police forces ranged from 11 percent at the Library of Congress Police to 58 percent at the NIH Police in fiscal year 2002. In addition to the NIH Police, 3 other police forces had turnover rates of 25 percent or greater during fiscal year 2002. The U.S. Mint Police reported the second highest turnover rate at 41 percent, followed by the Bureau of Engraving and Printing Police at 27 percent and the Secret Service Uniformed Division at 25 percent.

There was no clear pattern evident between employee pay and turnover rates during fiscal year 2002. For example, while some police forces with

¹²Of the 316 officers who went to TSA, 313 accepted law enforcement positions and 3 accepted nonlaw enforcement positions.

relatively highly paid entry-level officers such as the Library of Congress Police (11 percent) and the Supreme Court Police (13 percent) had relatively low turnover rates, other police forces with relatively highly paid entry-level officers such as the U.S. Mint Police (41 percent), Bureau of Engraving and Printing Police (27 percent), and Secret Service Uniformed Division (25 percent) experienced significantly higher turnover rates. Additionally, turnover varied significantly among the 5 police forces with relatively lower paid entry-level officers. For example, while the Federal Protective Service (19 percent) and NIH Police (58 percent) entry-level officers both received the lowest starting pay, turnover differed dramatically.

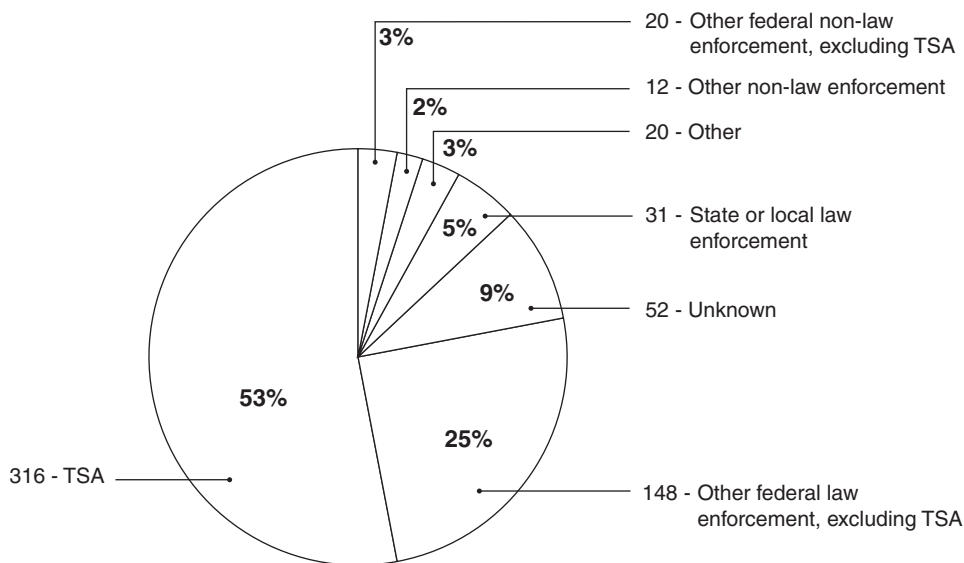
Likewise, no clear pattern existed regarding turnover among police forces receiving federal law enforcement retirement benefits and those receiving traditional federal retirement benefits. For example, entry-level officers at the Library of Congress Police, U.S. Capitol Police, and Supreme Court Police all received equivalent pay in fiscal year 2002. However, the Library of Congress (11 percent) had a lower turnover rate than the Capitol Police (13 percent) and Supreme Court Police (16 percent), despite the fact that officers at the latter 2 police forces received federal law enforcement retirement benefits. In addition, while officers at both the Park Police (19 percent) and Secret Service Uniformed Division (25 percent) received law enforcement retirement benefits, these forces experienced higher turnover rates than some forces such as U.S. Postal Service Police (14 percent) and FBI Police (17 percent), whose officers did not receive law enforcement retirement benefits and whose entry-level officers received lower starting salaries.

More than half (316) of the 599 officers who voluntarily separated from the police forces in fiscal year 2002 went to TSA—nearly all (313 of 316) to become Federal Air Marshals where they were able to earn higher salaries, federal law enforcement retirement benefits, and a type of pay premium for unscheduled duty equaling 25 percent of their base salary. The number (316) of police officers who voluntarily separated from the 13 police forces to take positions at TSA nearly equaled the increase in the total number of separations (354) that occurred between fiscal year 2001 and 2002.

About 25 percent (148) of the voluntarily separated officers accepted other federal law enforcement positions, excluding positions at TSA, and about 5 percent (32 officers) took nonlaw enforcement positions, excluding positions at TSA. Furthermore, about 9 percent (51) of the voluntarily separated officers took positions in state or local law enforcement or separated to, among other things, continue their education. Officials were

unable to determine where the remaining 9 percent (52) of the voluntarily separated officers went. Figure 1 shows a percentage breakdown of where the 599 officers who voluntarily separated from the 13 police forces during fiscal year 2002 went.

Figure 1: Percentage Breakdown of Where 599 Officers Who Voluntarily Separated during Fiscal Year 2002 Went



Source: GAO analysis of turnover data provided by the 13 police forces.

Although we did not survey individual officers to determine why they separated from these police forces, officials from the 13 forces reported a number of reasons that officers had separated, including to obtain better pay and/or benefits at other police forces, less overtime, and greater responsibility. Without surveying each of the 599 officers who voluntarily separated from their police forces in fiscal year 2002, we could not draw any definitive conclusions about the reasons they left.

Data we gathered from the 13 police forces since we issued our report indicate that fiscal year 2003 turnover rates will drop significantly at 12 of 13 forces—even below historical levels at most of the forces—if patterns for the first 9 months of fiscal year 2003 continue for the remaining

months.¹³ Prospective turnover rates at these 12 forces in fiscal year 2003 range from being 21 to 83 percent lower than fiscal year 2002 levels. In addition, prospective fiscal year 2003 turnover rates at 8 of the 13 forces are below historical levels.

The use of human capital flexibilities to address turnover varied among the 13 police forces. For example, officials at 4 of the 13 police forces reported that they were able to offer retention allowances, which may assist the forces in retaining experienced officers, and 3 of these police forces used this tool to retain officers in fiscal year 2002. The average retention allowances paid to officers in fiscal year 2002 were about \$1,000 at the Pentagon Force Protection Agency, \$3,500 at the Federal Protective Service, and more than \$4,200 at the NIH Police. The police forces reported various reasons for not making greater use of available human capital flexibilities in fiscal year 2002, including

- lack of funding for human capital flexibilities,
- lack of awareness among police force officials that the human capital flexibilities were available, and
- lack of specific requests for certain flexibilities such as time-off awards or tuition reimbursement.

The limited use of human capital flexibilities by many of the 13 police forces and the reasons provided for the limited use are consistent with our governmentwide study of the use of such authorities. In December 2002, we reported that federal agencies have not made greater use of such flexibilities for reasons such as agencies' weak strategic human capital planning, inadequate funding for using these flexibilities given competing priorities, and managers' and supervisors' lack of awareness and knowledge of the flexibilities.¹⁴ We further stated that the insufficient or ineffective use of flexibilities can significantly hinder the ability of agencies to recruit, hire, retain, and manage their human capital. Additionally, in May 2003, we reported that OPM can better assist agencies in using human capital flexibilities by, among other things, maximizing its efforts to make the flexibilities more widely known to agencies through

¹³Historical levels were calculated by averaging turnover rates, when available, for fiscal years 1997-2001. The turnover rate from fiscal year 2002 was excluded from the average due to the special circumstances of the startup of TSA.

¹⁴U.S. General Accounting Office, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO-03-2 (Washington, D.C.: Dec. 6, 2002).

compiling, analyzing, and sharing information about when, where, and how the broad range of flexibilities are being used, and should be used, to help agencies meet their human capital management needs.¹⁵

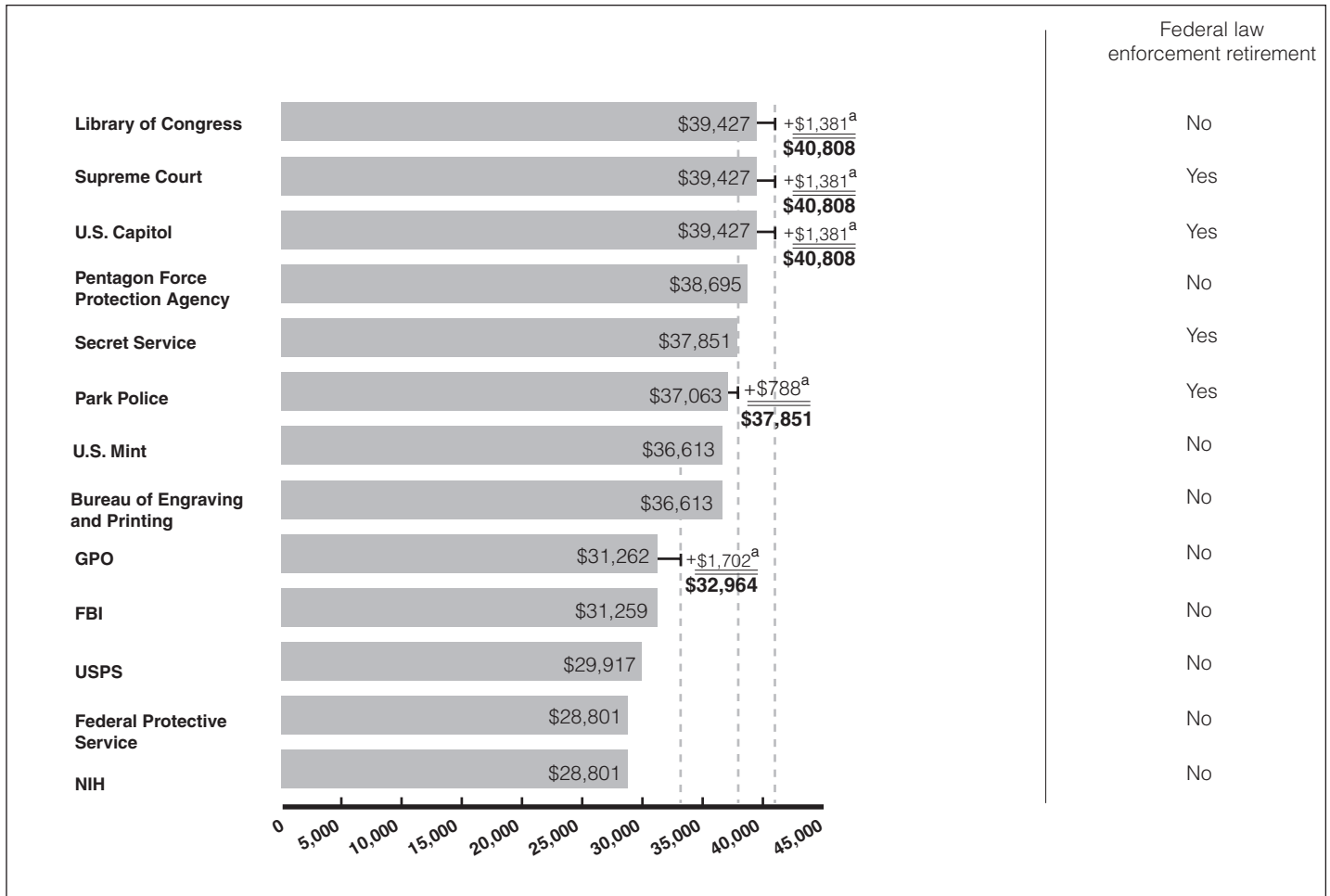
Entry-Level Pay and Benefits Varied among the Police Forces

Entry-level pay and retirement benefits varied widely across the 13 police forces. Annual pay for entry-level police officers ranged from \$28,801 to \$39,427, as of September 30, 2002. Officers at 4 of the 13 police forces received federal law enforcement retirement benefits, while officers at the remaining 9 police forces received standard federal employee retirement benefits. According to officials, all 13 police forces performed many of the same types of general duties, such as protecting people and property and screening people and materials entering and/or exiting buildings under their jurisdictions. The minimum qualification requirements and the selection processes were generally similar among most of the 13 police forces.

At \$39,427 per year, the U.S. Capitol Police, Library of Congress Police, and Supreme Court Police forces had the highest starting salaries for entry-level officers, while entry-level officers at the NIH Police and Federal Protective Service received the lowest starting salaries at \$28,801 per year. The salaries for officers at the remaining 8 police forces ranged from \$29,917 to \$38,695. Entry-level officers at 5 of the 13 police forces received an increase in pay, ranging from \$788 to \$1,702, upon successful completion of basic training. Four of the 13 police forces received federal law enforcement retirement benefits and received among the highest starting salaries, ranging from \$37,063 to \$39,427. Figure 2 provides a comparison of entry-level officer pay and retirement benefits at the 13 police forces.

¹⁵U.S. General Accounting Office, *Human Capital: OPM Can Better Assist Agencies in Using Personnel Flexibilities*, [GAO-03-428](#) (Washington, D.C.: May 9, 2003).

Figure 2: Pay for Entry-level Officers and Retirement Benefits for Each of the 13 Police Forces with 50 or More Officers Stationed in the Washington MSA as of September 30, 2002



Source: GAO analysis of pay data provided by the 13 police forces.

^aPay increase after successful completion of basic training.

Entry-level officers at 12 of the 13 police forces (all but the U.S. Postal Service Police) received increases in their starting salaries between October 1, 2002, and April 1, 2003. Entry-level officers at three of the four police forces (FBI Police, Federal Protective Service, and NIH Police) with the lowest entry-level salaries as of September 30, 2002, received raises of \$5,584, \$4,583, and \$4,252, respectively, during the period ranging from October 1, 2002, through April 1, 2003. In addition, entry-level officers at

both the U.S. Capitol Police and Library of Congress Police—two of the highest paid forces—also received salary increases of \$3,739 during the same time period.¹⁶ These pay raises received by entry-level officers from October 1, 2002, through April 1, 2003, narrowed the entry-level pay gap for some of the 13 forces. For example, as of September 30, 2002, entry-level officers at the FBI Police received a salary \$8,168 less than an entry-level officer at the U.S. Capitol Police. However, as of April 1, 2003, the pay gap between entry-level officers at the two forces had narrowed to \$6,323.

Officers at the 13 police forces reportedly performed many of the same types of duties, such as protecting people and property, patrolling the grounds on foot, and conducting entrance and exit screenings. Police force officials also reported that officers at all of the police forces had the authority to make arrests. Although there are similarities in the general duties, there were differences among the police forces with respect to the extent to which they performed specialized functions.

¹⁶In late April 2003, Supreme Court Police officers were granted a pay increase retroactive to October 1, 2002. This pay increase brought the entry-level pay of Supreme Court officers to the same levels as those of the Capitol Police and Library of Congress Police.

DHS Organizational Transformation

We have observed in our recent Performance and Accountability Series that there is no more important management reform than for agencies to transform their cultures to respond to the transition that is taking place in the role of government in the 21st century.¹⁷ Establishing the new DHS is an enormous undertaking that will take time to achieve in an effective and efficient manner. DHS must effectively combine 22 agencies with an estimated 160,000 civilian employees specializing in various disciplines, including law enforcement, border security, biological research, computer security, and disaster mitigation, and also oversee a number of non-homeland security activities. To achieve success, the end result should not simply be a collection of components in a new department, but the transformation of the various programs and missions into a high performing, focused organization.

Implementing large-scale change management initiatives, such as establishing a DHS, is not a simple endeavor and will require the concentrated efforts of both leadership and employees to accomplish new organizational goals. We have testified previously that at the center of any serious change management initiative are the people—people define the organization’s culture, drive its performance, and embody its knowledge base.¹⁸ Experience shows that failure to adequately address—and often even consider—a wide variety of people and cultural issues is at the heart of unsuccessful mergers and transformations. Recognizing the “people” element in these initiatives and implementing strategies to help individuals maximize their full potential in the new organization, while simultaneously managing the risk of reduced productivity and effectiveness that often occurs as a result of the changes, is the key to a successful merger and transformation.

Chairwoman Davis, today you are releasing a report that we prepared at your and Senator Voinovich’s request that identifies the key practices and specific implementation steps with illustrative private and public sector examples that agencies can take as they transform their cultures to be more results-oriented, customer-focused, and collaborative in nature.¹⁹

¹⁷U.S. General Accounting Office, *Major Management Challenges and Program Risks: A Governmentwide Perspective*, [GAO-03-95](#) (Washington, D.C.: January 2003).

¹⁸U.S. General Accounting Office, *Human Capital: Building on the Current Momentum to Address High-Risk Issues*, [GAO-03-637T](#) (Washington, D.C.: Apr. 8, 2003).

¹⁹[GAO-03-669](#).

DHS could use these practices and steps to successfully transform its culture and merge its various originating components into a unified department. (See table 3.)

Table 3: Key Practices and Implementation Steps for Mergers and Organizational Transformations

Practice	Implementation steps
Ensure top leadership drives the transformation.	Define and articulate a succinct and compelling reason for change. Balance continued delivery of services with merger and transformation activities.
Establish a coherent mission and integrated strategic goals to guide the transformation.	Adopt leading practices for results-oriented strategic planning and reporting.
Focus on a key set of principles and priorities at the outset of the transformation.	Embed core values in every aspect of the organization to reinforce the new culture.
Set implementation goals and a timeline to build momentum and show progress from day one.	Make public implementation goals and timeline. Seek and monitor employee attitudes and take appropriate follow-up actions. Identify cultural features of merging organizations to increase understanding of former work environments. Attract and retain key talent. Establish an organizationwide knowledge and skills inventory to allow knowledge exchange among merging organizations.
Dedicate an implementation team to manage the transformation process.	Establish networks to support implementation team. Select high-performing team members.
Use the performance management system to define the responsibility and assure accountability for change.	Adopt leading practices to implement effective performance management systems with adequate safeguards.
Establish a communication strategy to create shared expectations and report related progress.	Communicate early and often to build trust. Ensure consistency of message. Encourage two-way communication. Provide information to meet specific needs of employees.
Involve employees to obtain their ideas and gain their ownership for the transformation.	Use employee teams. Involve employees in planning and sharing performance information. Incorporate employee feedback into new policies and procedures. Delegate authority to appropriate organizational levels.
Build a world-class organization.	Adopt leading practices to build a world-class organization.

Source: GAO.

DHS Strategic Human Capital Management

As Secretary Ridge and his leadership team will recognize, strategic human capital management is a critical management challenge for DHS. In our report on homeland security issued last December, we recommended that OPM, in conjunction with the Office of Management and Budget and

the agencies, should develop and oversee the implementation of a long-term human capital strategy that can support the capacity building across government required to meet the objectives of the nation's efforts to strengthen homeland security.²⁰ With respect to DHS, in particular, this strategy should

- establish an effective performance management system, which incorporates the practices that reinforce a “line of sight” that shows how unit and individual performance can contribute to overall organization goals;
- provide for the appropriate use of the human capital flexibilities granted to DHS to effectively manage its workforce; and
- foster an environment that promotes employee involvement and empowerment, as well as constructive and cooperative labor management employee relations.

In response to these recommendations, the Director of OPM stated that OPM has created a design process that is specifically intended to make maximum use of the flexibilities that Congress has granted to DHS, including the development of a performance management system linking individual and organizational performance. Chairwoman Davis, at your and Senator Voinovich's request, we are reviewing the design process DHS and OPM have put in place and we expect to issue our first report this September.

DHS must also consider differences in pay, benefits, and performance management systems of the employee groups that were brought into DHS. Last March, the Secretary of Homeland Security highlighted examples of such differences. For example, basic pay is higher for Secret Service Uniformed Division officers than for General Schedule police officers. TSA uses a pay banding system with higher pay ranges than the General Schedule system. The Secretary also cited differences in benefits. The Secret Service Uniformed Division officers and TSA Air Marshals are covered under the law enforcement officer retirement benefit provisions, while the Federal Protective Service police and law enforcement security officers and various Customs Service employees, among others, are not. Further, the Secretary stated that DHS and OPM employees will determine

²⁰U.S. General Accounting Office, *Homeland Security: Management Challenges Facing Federal Leadership*, [GAO-03-260](#) (Washington, D.C.: Dec. 20, 2002).

if the differences in pay and benefits constitute unwarranted disparities and if so, they will make specific recommendations on how these differences might be eliminated in DHS's human resources management system proposal, which will be submitted later this year.

The performance management systems among DHS components also have significant differences that need to be considered. The performance management systems vary in fundamental ways. Of the 4 largest agencies joining DHS, the Customs Service's and TSA's performance management systems have 2-level performance rating systems.²¹ We have raised concerns that such approaches may not provide enough meaningful information and dispersion in ratings to recognize and reward top performers, help everyone attain their maximum potential, and deal with poor performers. The Coast Guard has a 3-level system and Immigration and Naturalization Service has a 5-level system.²²

One of the key practices mentioned above to a successful merger and transformation is to use the performance management system to define the responsibility and assure accountability for change. An effective performance management system can be a strategic tool to drive internal change and achieve desired results. Effective performance management systems are not merely used for once- or twice-yearly individual expectation setting and rating processes, but are tools to help the organization manage on a day-to-day basis. These systems are used to achieve results, accelerate change, and facilitate two-way communication throughout the year so that discussions about individual and organizational performance are integrated and ongoing. The performance management system must link organizational goals to individual performance and create a line of sight between an individual's activities and organizational results.

Chairwoman Davis, at your and Senator Voinovich's request, we identified a set of key practices that federal agencies could use to create this line of

²¹The Customs Service's performance management system applies to all Customs Service employees except the Senior Executive Service. The TSA performance management system applies to all TSA employees.

²²The Coast Guard's performance management system applies to civilian employees. The Immigration and Naturalization Service's performance management system applies to all of its employees except attorneys and the Senior Executive Service.

sight and develop effective performance management systems.²³ These practices helped public sector organizations both in the United States and abroad create a line of sight between individual performance and organizational success and, thus, transform their cultures to be more results-oriented, customer-focused, and collaborative in nature. DHS has the opportunity to develop a modern, effective, and credible performance management system to manage and direct its transformation. DHS should consider these key practices as it develops a performance management system with the adequate safeguards, including reasonable transparency and appropriate accountability mechanisms in place, to help create a clear linkage between individual performance and organizational success.²⁴

We recently reported that TSA, one of the components that joined DHS, has taken the first steps in creating such a linkage and establishing a performance management system that aligns individual performance expectations with organizational goals.²⁵ TSA has implemented standardized performance agreements for groups of employees, including transportation security screeners, supervisory transportation security screeners, supervisors, and executives. These performance agreements include both organizational and individual goals and standards for satisfactory performance that can help TSA show how individual performance contributes to organizational goals. For example, each executive performance agreement includes organizational goals, such as to maintain the nation's air security and ensure an emphasis on customer satisfaction, as well as individual goals, such as to demonstrate through actions, words, and leadership, a commitment to civil rights. To strengthen its current executive performance agreement and foster the culture of a high-performing organization, we recommended that TSA add performance expectations that establish explicit targets directly linked to organizational goals, foster the necessary collaboration within and across organizational boundaries to achieve results, and demonstrate

²³U.S. General Accounting Office, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, [GAO-03-488](#) (Washington, D.C.: Mar. 14, 2003).

²⁴For more information on adequate safeguards, see U.S. General Accounting Office, *Defense Transformation: Preliminary Observations on DOD's Proposed Civilian Personnel Reforms*, [GAO-03-717T](#) (Washington, D.C.: Apr. 29, 2003).

²⁵U.S. General Accounting Office, *Transportation Security Administration: Actions and Plans to Build a Results-Oriented Culture*, [GAO-03-190](#) (Washington, D.C.: Jan. 17, 2003).

commitment to lead and facilitate change. TSA agreed with this recommendation.

Madam Chairwoman and Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other members of the Subcommittee may have at this time.

For further information, please call me or Weldon McPhail at (202) 512-8777. Other key contributors to this testimony were Carole Cimitile, Katherine Davis, Geoffrey Hamilton, Janice Lichty, Michael O'Donnell, Lisa Shames, Lou Smith, Maria Strudwick, Mark Tremba, and Gregory H. Wilmoth.

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