



Highlights of [GAO-07-985T](#), testimony before Subcommittee on Oversight and Investigations, Committee on Veterans Affairs, House of Representatives

Why GAO Did This Study

Key practices of effective performance management for the Senior Executive Service (SES) include the linkage or “line of sight” between individual performance and organizational success, the importance of linking pay to individual and organizational performance, and the need to make meaningful distinctions in performance. GAO identified certain principles for executive pay plans that should be considered to attract and retain the quality and quantity of executive leadership necessary to address 21st century challenges, including that they be sensitive to hiring and retention trends; reflect knowledge, skills, and contributions; and be competitive. This testimony focuses on the Department of Veterans Affairs’ (VA) process for awarding bonuses to SES members, the amount and percentage of bonuses awarded for fiscal years 2004 through 2006 based on data reported by VA, and the Office of Personnel Management’s (OPM) and the Office of Management and Budget’s (OMB) roles in certifying federal agencies SES performance appraisal systems.

GAO analyzed VA’s policies and procedures for awarding bonuses and data provided by VA on the amount and percentages of bonuses and interviewed knowledgeable VA officials. Information on OPM’s and OMB’s certification process was based on our 2007 report on OPM’s capacity to lead and implement reform.

www.gao.gov/cgi-bin/getrpt?GAO-07-985T.

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

HUMAN CAPITAL

Bonuses to Senior Executives at the Department of Veterans Affairs

What GAO Found

VA requires that each senior executive have an executive performance plan or contract in place for the appraisal year that reflects measures that balance organization results with customer satisfaction, employee perspectives, and other appropriate measures. VA uses four performance review boards (PRB) to review and make recommendations on SES ratings, awards, and pay adjustments based on these performance plans. VA’s Secretary appoints members of three of the four boards on the basis of the position held within the agency, and consideration is given to those positions where the holder would have knowledge about the broadest group of executives. Members of the fourth board are appointed by VA’s Inspector General. VA’s PRBs vary in size, composition, and number of SES members considered for bonuses, and each PRB, within the scope of VA’s policies, develops its own procedures and criteria for making bonus recommendations. According to VA policy, bonuses are generally awarded only to those rated outstanding or excellent and who have demonstrated significant individual and organizational achievements during the appraisal period.

As for bonuses awarded, the table below shows VA SES member bonus amounts for fiscal years 2004 through 2006.

Average Bonus Amount and Percentage Receiving Bonuses at VA among Career SES Members and by Headquarters and Field Locations, 2004-2006						
	2004		2005		2006	
	Average amount	Percentage receiving	Average amount	Percentage receiving	Average amount	Percentage receiving
All	\$16,371	85.4	\$16,713	79.7	\$16,606	87.2
Headquarters	19,195	82.1	18,629	80.2	19,439	81.9
Field	15,089	87.0	15,761	79.4	15,268	90.0

Source: GAO analysis of VA data.

According to data reported by OPM, in fiscal year 2005, VA awarded higher bonus amounts to its career SES than any other cabinet-level department; however, according to OPM’s data, six other cabinet-level departments awarded bonuses to a higher percentage of their career SES.

OPM and OMB evaluate agencies’ SES performance appraisal systems against nine certification criteria jointly developed by the two agencies and determine that agencies merit full, provisional, or no certification. VA has been granted provisional certification in each of the years 2004 through 2006. Our review of VA’s requirements for SES performance plans as represented in both its 2006 submission and 2007 draft submission to OPM show that VA made changes to the requirements for its performance plans to reflect greater emphasis on measurable results.