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HUMAN CAPITAL

Observations on Agencies'  
Implementation of the  
Chief Human Capital  
Officers Act

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Highlights of [GAO-04-800T](#), a testimony before the Subcommittee on Civil Service and Agency Organization, Committee on Government Reform, House of Representatives

## Why GAO Did This Study

Congress recognized the critical leadership role the agency Chief Human Capital Officers (CHCOs) and the CHCO Council must play in the fundamental changes that need to take place across the executive branch. A range of 21st century challenges are driving the need for a fundamental transformation of the federal government. People strategy must be a key element of this overall transformation effort. People define an organization's culture, drive its performance, and embody its knowledge base. Congress has provided agencies across the executive branch with additional tools and authorities needed to strategically manage their workforces. The success of these and related initiatives will depend in large measure on the existence of high-quality CHCOs and a strategic and effective CHCO Council.

At the request of the subcommittee, GAO discussed (1) the different approaches agencies used in selecting CHCOs and creating the CHCO position, (2) the key responsibilities of the CHCOs, and (3) the initial steps taken by the CHCO Council and some suggested next steps.

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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](mailto:mihmj@gao.gov).

## HUMAN CAPITAL

# Observations on Agencies' Implementation of the Chief Human Capital Officers Act

## What GAO Found

The inaugural CHCOs appointed since May 2003 varied in the positions they were holding prior to their selection by the agency head, the responsibilities assigned to them when they became CHCOs, whether they were political appointees or career executives and whether they reported directly to the agency head.

According to the CHCOs, their efforts are primarily focused on the human capital efforts needed to address the President's Management Agenda (PMA). In our discussions with the CHCOs, they cited strategic human capital management and, to a lesser extent, competitive sourcing as the two primary PMA initiatives on which they are focusing.

The CHCO Council's activities during its first year have largely revolved around start-up activities including organizing the council and establishing subcommittees. For example, the Council created subcommittees to address and recommend change for five key areas—the hiring process, performance management, leadership development and succession planning, employee conduct and poor performers, and emergency preparedness.

At the request of this subcommittee and others in Congress, we have undertaken a large body of work in recent years that should prove helpful to the Council and its subcommittees as they develop their initiatives in the five areas. For example, as we reported in May 2003, there is widespread recognition that the current federal hiring process does not meet the needs of agencies in achieving their missions, managers in filling positions with the right talent, and applicants for a timely, efficient, transparent, and merit-based process. We made a number of recommendations to the Office of Personnel Management (OPM) to address various parts of the hiring process. In addition, in March 2004, GAO issued a guide for assessing strategic training and development efforts in the federal government.

In addition to the important areas already receiving priority attention by the Council, our work suggests that the Council should ensure that as it moves forward, its efforts address agencies' need for guidance, assistance, knowledge, and leading practices in several other key crosscutting areas such as:

- developing the capabilities required for successful implementation of human capital reform,
- strategic human capital planning, and
- transforming the human capital office and its processes to more fully contribute to key agency decisions.

We believe that our work should prove helpful to the Council as they address these and other areas.

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Chairwoman Davis, Mr. Davis, and Members of the Subcommittee:

I am pleased to be here today to discuss the actions taken to implement the Chief Human Capital Officers (CHCO) Act of 2002 and our preliminary observations on the role of both the agency CHCOs and the CHCO Council, as we approach the completion of the first year in which these senior agency leadership positions and this council were created. As you know, Congress created the CHCO position in 24 agencies to advise and assist the head of the agency and other agency officials in their strategic human capital management efforts; the CHCO Council was created to advise and coordinate the activities among the agencies.

Congress recognized the critical leadership role the agency CHCOs and the CHCO Council must play in the fundamental changes that need to take place across the executive branch. The nation's large and growing long-term fiscal imbalance and a range of other 21st century challenges are driving a fundamental transformation of the federal government. This transformation requires a comprehensive reexamination of what the government does, how it does business, and in some cases, who does its business. Ultimately, to successfully transform, the federal government must change its culture to become more results-oriented, customer-focused, and collaborative in nature.

People strategy must be a key element of this overall transformation effort. People define an organization's culture, drive its performance, and embody its knowledge base. Over the past couple of years, Congress has sought to modernize federal human capital policies by allowing certain agencies, most notably the Departments of Defense and Homeland Security, to adopt more flexible approaches to their human capital management. At the same time, Congress has provided agencies across the executive branch with additional tools and authorities needed to strategically manage their workforces. The success of these and related initiatives will depend in large measure on the existence of high-quality CHCOs and a strategic and effective CHCO Council.

My statement today will describe first, the different approaches agencies used in selecting CHCOs and creating the CHCO position, second, the key responsibilities of the CHCO's, and third, the initial steps taken by the CHCO Council and some suggested next steps.

My comments today are based on our interviews with each of the agency CHCOs and the Executive Director of the CHCO Council; available

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documents on the start-up efforts of the CHCO Council such as the agenda and plans for its initial meetings; our experiences in evaluating the implementation of other major management reforms, such as the Chief Financial Officers (CFO) Act, the Government Performance and Results Act of 1993, and the Clinger-Cohen Act of 1996; and our broad body of work and resultant knowledge of human capital management issues.

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## CHCOs Vary in Their Prior Role, Designated Duties, Employment Status, and Reporting Relationships

The 24 agency CHCOs appointed since May 2003 varied in the position they were holding prior to their selection by the agency head, the responsibilities assigned to them when they became CHCOs, whether they were political appointees or career executives, and whether they reported directly to the agency head:

- The inaugural CHCOs at most federal agencies were executives who were already in positions leading their agency's human capital management. Of the 21 agency CHCOs selected from within the agency, 14 have been the human capital director for their agency and 7 have been the executive to whom the agency's human capital director reported. OPM selected its CHCO from within the agency, but the individual has been a senior policy advisor, not an internal OPM human capital manager. Two of the 24 agencies—the Departments of Homeland Security and Treasury—selected CHCOs from outside their agencies.
- The 24 CHCOs positions were evenly split between those whose designated duties focus solely on human capital management and those who have significant additional responsibilities. For example, the Departments of Commerce, Interior, and Veterans Affairs have vested CHCO and CFO responsibilities in one person. The CHCOs at the Departments of Education, Housing and Urban Development, and Labor are also the Chief Information Officer (CIO) for those agencies. The additional responsibilities of various other CHCOs include administrative services, facilities management, and procurement.
- The CHCOs were evenly split between career executives and political appointees. Of the 24 CHCOs, 12 were career senior executives and 12 were political appointees. Since the inaugural CHCO appointments, two agencies—the Departments of Agriculture and Health and Human Services—have changed their CHCO designation from the incumbent career executive to a higher-level political appointee. Most of the career

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executives (8 of the 12) focus solely on human capital management, while the political appointees generally had additional responsibilities.

- More than half (15 of 24) of the inaugural CHCOs reported directly to the agency head. While some CHCOs who report directly to the agency head told us this gives them an important “seat at the table” where key decisions are made, some CHCOs who do not report to their agency head said having all or most of the agency chief management positions do so may impede efficient management coordination within the agency. Most of the political appointees (9 of 12) report directly to the agency head, while half of the career executives (6 of 12) report to another agency official.

Agencies’ appointments of CHCOs represent an important achievement considering the challenges agencies faced in filling the CFO and the CIO positions. For example, 5 years after the enactment of the law creating the agency CFO position, we found that some agencies had yet to fill the position or the Deputy CFO position.<sup>1</sup>

The diversity of approaches that agencies are taking suggests that it is unlikely that there will be a single model for the CHCO position that will fit all agencies. Several CHCOs told us that agency size, available leadership talent and the agency’s existing executive leadership structure were all considered in designating the CHCO position and determining the qualifications of those who should fill it. However, ensuring that the CHCO can provide the leadership necessary to do the job well in those situations where they also have additional direct management responsibilities should be closely monitored in the coming years. We have also raised similar concerns regarding the CFOs and CIOs who have direct leadership

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<sup>1</sup>U.S. General Accounting Office, *Financial Management: Momentum Must Be Sustained To Achieve the Reform Goals of the Chief Officers Act*, GAO/T-AIMD-95-204 (Washington, D.C.: July 25, 1995).

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responsibilities for a variety of management areas.<sup>2</sup> While some CHCOs with key responsibilities in multiple areas have said they believe this enables them to achieve quicker decision-making on strategic human capital issues, other CHCOs said they prefer devoting all their attention to human capital issues.

More generally, we have suggested that Congress consider establishing Chief Operating Officer (COO) or equivalent positions in selected agencies as one element of an overall strategy to address certain systemic federal governance and management challenges. These COOs would be part of a broader effort to elevate attention to management and transformation issues, integrate various key management and transformation efforts, and institutionalize accountability for addressing management issues leading a transformation.<sup>3</sup> By their very nature, the problems and challenges facing agencies are crosscutting and thus require coordinated and integrated solutions. However, the risk is that management responsibilities (including, but not limited to information technology, financial management, and human capital) will be “stovepiped” and thus will not be implemented in a comprehensive, ongoing, and integrated manner. While officials with management responsibilities often have successfully worked together, there needs to be a single point within agencies with the perspective and responsibilities—as well as the authority—to ensure successful implementation of functional management initiatives and, if appropriate, transformation efforts.

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<sup>2</sup>U.S. General Accounting Office, *Financial Management: CFO Act Is Achieving Meaningful Progress*, GAO/T-AIMD-94-149 (Washington, D.C.: June 21, 1994), and *Chief Information Officers: Ensuring Strong Leadership and an Effective Council*, GAO/T-AIMD-98-22 (Washington, D.C.: Oct. 27, 1997).

<sup>3</sup>For additional information on the COO concept and how it might apply to federal agencies, see U.S. General Accounting Office, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington D.C.: October 2002).

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## CHCOs Are Giving Priority Attention to the Strategic Human Capital Initiative of the President's Management Agenda

According to the CHCOs, their efforts are primarily focused on the human capital efforts needed to address the President's Management Agenda (PMA). The President's Management Agenda identified five crosscutting management initiatives: the strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration. We collaborated with OMB and OPM regarding the broad standards of success for the strategic human capital management PMA initiative. The resulting standards are consistent with the need for agencies to address the challenges they face in four key areas outlined in our report on strategic human capital management as a government-wide high risk area:

- leadership, continuity and succession planning;
- strategic human capital planning and organizational alignment;
- acquiring and developing staffs whose size, skills and deployment meet agency needs; and
- creating results-oriented organizational cultures.<sup>4</sup>

We have noted that the PMA initiatives are intended to be mutually reinforcing and must be addressed in an integrated way to ensure that there is the needed management capacity to drive a broader transformation of the cultures of federal agencies.<sup>5</sup> In our discussions with the CHCOs, they have cited strategic human capital management and, to a lesser extent, competitive sourcing as the two primary PMA initiatives where they are focusing their efforts.

As such, work on the PMA provides an early opportunity for the CHCOs to play an active integrating role with other key agency leaders. For example, the Environmental Protection Agency's (EPA) CHCO told us EPA is in the midst of phased implementation of a workforce planning methodology that EPA believes will enable EPA's line managers to make decisions on

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<sup>4</sup>U.S. General Accounting Office, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

<sup>5</sup>U.S. General Accounting Office, *Management Reform: Continuing Progress in Implementing Initiatives in the President's Management Agenda*, GAO-03-556T (Washington, D.C.: Mar. 26, 2003).

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deploying employees with mission-critical skills and competencies both programmatically and geographically to fulfill EPA's mission. Similarly, the National Aeronautics and Space Administration's (NASA) CHCO told us NASA is refining an agencywide competency management system that will be used to identify, manage, and report workforce competencies, which NASA believes will be capable of capturing competencies for every employee, every position, and every budgeted program or project.

In the area of performance management, according to the Department of Justice's CHCO, the agency contracted with consultants to identify problems, issues, and barriers and suggest ways to transform the existing "paperwork exercise" performance management program into a results-oriented performance culture. In the area of aligning the human capital office for improved strategic contribution, the Department of Energy's (DOE) CHCO told us that the agency's Office of Human Resources Management completed a study of the organization resulting in a recommendation to transform it into "One HR,"—a more unified approach to developing and aligning HR activities, programs, services and staff with the strategic direction of DOE.

While we have not assessed these specific actions, they illustrate the kinds of agency human capital initiatives that position the agencies to move forward in the coming years. However, as our experience with major management reform efforts has demonstrated, achieving the goals of major reform requires a long-term sustained effort. We have noted that major reforms can take at least 5 to 7 years until such initiatives are fully implemented and the related cultures are transformed in a sustainable manner.<sup>6</sup>

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## CHCO Council Taking Initial Steps to Improve Human Capital Management

The CHCO Act calls for the establishment of a CHCO Council consisting of the Director of OPM as Chair, the Deputy Director for Management of OMB as Vice Chair, and the CHCOs of executive departments and any other members who are designated by the Director of OPM. An effective and strategic CHCO Council is vital to meeting the goals of the CHCO Act as well as addressing the federal government's crosscutting strategic human

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<sup>6</sup>U.S. General Accounting Office, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002). For a specific discussion of this point in relation to financial management, see GAO/T-AIMD-95-204.



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capital challenges. We have reported that interagency councils, such as the CFO and CIO councils, have emerged as important leadership strategies in both developing policies that are sensitive to implementation concerns and gaining consensus and consistent follow-through within the executive branch.<sup>7</sup> For example, the CFO Council has played a lead role in creating goals for improving federal financial management practices, providing sound advice to OMB on revisions to executive branch guidance and policy, and building a professional community of governmentwide financial management expertise.

The CHCO Council can play another similarly useful role. As stated in its charter, the Council's purposes include (1) advising OPM, OMB, and agency leaders on human capital strategies and policies, as well as on the assessment of human capital management in federal agencies, (2) informing and coordinating the activities of its member agencies on such matters as modernization of human resources systems, and (3) providing leadership in identifying and addressing the needs of the government's human capital community.

The Council's activities during its first year have largely revolved around three major areas: organizing the council, creating a CHCO Academy, and establishing subcommittees.

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## Council organization

The Council meets periodically, currently averaging a meeting every other month, with the meetings attended by the CHCOs as well as by the Council's Chair, Vice Chair, Executive Director, and representatives of other organizations that may be invited or approved by the Chair. The Council has formed an executive committee consisting of the Chair, Vice Chair, and seven Council members. When votes are taken, each Council member has one vote, and members must be present to vote.

The Council does not yet have a strategic plan to help guide its work and serve as a benchmark for measuring progress, although according to the Council's Executive Director, the Chair is reviewing the Council's draft strategic plan for FY 2004, which then has to be approved by the executive committee and by the full Council. The Executive Director told us the strategic plan would have some details on the priority items and target

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<sup>7</sup>U.S. General Accounting Office, *Government Management: Observations on OMB's Management Leadership Efforts*, GAO/T-GGD/AIMD-99-65 (Washington, D.C.: Feb. 4, 1999).

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dates on which the Council is working this year. As we saw in the case of the CFO Council, achieving accomplishments that have strategic impact requires well-defined goals and measures.<sup>8</sup> The timely completion of the CHCO Council's plan is therefore important to help provide a sense of direction for the Council as well as to communicate to Congress and other stakeholders the role the Council will play and how it will meet its responsibilities. The shared understandings that can be developed as part of the planning process are particularly important to councils since they play vital leadership and coordination roles. As just one illustration of the importance of their leadership and coordination role, OPM agreed with our May 2003 recommendation to work with and through the Council to more thoroughly research, compile, and analyze information on the effective and innovative use of human capital flexibilities and more fully serve as a clearinghouse in sharing and distributing 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.<sup>9</sup>

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## CHCO Academy

OPM has created the Chief Human Capital Officers Academy as part of the CHCO Council. OPM created the academy as an outreach vehicle to educate CHCOs about current human capital management issues and available human resources flexibilities, with an emphasis on how they fit within an overall merit-based civil-service system. The academy has scheduled one-day monthly training and discussion sessions with CHCOs throughout 2004. Past sessions have focused on topics such as Title 5 and outsourcing human resources services.

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## Subcommittees

The Council created subcommittees to address and recommend changes for five key areas identified by the Council's leadership as critical to the success of the strategic management of the human capital initiative outlined in the PMA: the hiring process, performance management, leadership development and succession planning, employee conduct and poor performers, and emergency preparedness. The five subcommittees are examining their issues and developing recommendations for review by the executive committee and, subsequently, the Council. We understand

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<sup>8</sup>GAO/T-AIMD-98-22.

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

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that three of the five subcommittees—hiring process, leadership development and succession planning, and employee conduct and poor performers—have submitted their first reports for review by the executive committee. However, these reports have not been released.

The executive committee is expected to review these reports at its May meeting and, depending on that review, the full Council could review these reports at its scheduled July meeting.

At the request of this subcommittee and others in Congress, we have undertaken a large body of work in recent years that should prove helpful to the Council and its subcommittee as they develop their initiatives. For example:

## Hiring Process

As we reported in May 2003, there is widespread recognition that the current federal hiring process does not meet the needs of agencies in achieving their missions, of managers in filling positions with the right talent, and of applicants for a timely, efficient, transparent, and merit-based process.<sup>10</sup> We made a number of recommendations to OPM to address various parts of the hiring process including:

- studying how to simplify, streamline, and reform the classification process;
- assisting agencies in automating their hiring processes;
- continuing to assist agencies in making job announcements and Web postings more user-friendly and effective;
- helping agencies develop improved hiring assessment tools; and
- reviewing the effectiveness of the Outstanding Scholar and Bilingual/Bicultural Luevano Consent Decree hiring authorities.

At the request of this subcommittee we are assessing actions taken to improve the hiring process and plan to issue a report early next month. Agencies and OPM need to work together to improve the hiring process,

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<sup>10</sup>U.S. General Accounting Office, *Human Capital: Opportunities to Improve Executive Agencies' Hiring Processes*, GAO-03-450 (Washington, D.C.: May 30, 2003).

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and the CHCO Council should be a key vehicle for this needed collaboration.

## Performance Management

There is little question that modernizing agency performance management systems and creating a clear linkage between individual performance and organizational success is a governmentwide strategic human capital challenge. Even though an explicit alignment of individuals' daily activities with broader results is one of the defining features of effective performance management, it is still a work in progress at the federal level. For example, in three governmentwide surveys we conducted in 1997, 2000, and 2003, an increasing but still less than 50 percent of federal managers reported that employees in their agencies received positive recognition to a great or very great extent for helping agencies accomplish their strategic goals.<sup>11</sup>

High performing organizations have found that an effective performance management system can be a strategic tool to drive internal change and achieve desired results. These systems are not merely used for a once or twice-yearly individual expectation setting and rating process but are tools to help the organization manage on a day-to-day basis and to facilitate two-way communication throughout the year so that discussions about individual and organizational performance are integrated and ongoing.

In that regard, we have reported extensively on public sector organizations in the United States and abroad that have implemented a selected, and generally consistent set of key practices as part of their performance management systems that in turn help create the line of sight between individual performance and organizational success.<sup>12</sup> These practices should be helpful to the CHCO Council's performance management subcommittee as it develops recommendations and strategies to assist agencies implementing effective performance management systems.

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<sup>11</sup>U.S. General Accounting Office, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38 (Washington, D.C.: Mar. 10, 2004).

<sup>12</sup>U.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).

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## Leadership Development and Succession Planning

In March 2004, GAO issued a guide for assessing strategic training and development efforts in the federal government.<sup>13</sup> This guide introduced a framework, consisting of a set of principles and key questions that agencies can use to ensure that training and development investments are targeted strategically and not wasted on efforts that are irrelevant, duplicative, or ineffective. Using the principles in this framework, we reported on some agencies' experiences and lessons learned related to a) assessing agency skill requirements and identifying training needs, b) developing strategies and solutions, and c) determining evaluation methods.<sup>14</sup> Some of the experiences and lessons learned that the agencies identified were from their leadership development programs. For example, the Internal Revenue Service (IRS) interviewed top agency leaders and benchmarked with leading practices in the public and private sector to develop its leadership competency model. This model forms the basis for IRS' leadership development efforts, as well as how IRS selects, evaluates, and recognizes its leaders. IRS also analyzed data from 360-degree feedback instruments and used this information in customizing its programs to build employees' strengths in areas that IRS has identified as key to providing effective leadership within its organizational culture and operating environment.

More generally, we have also reported that leading organizations engage in broad, integrated succession planning and management efforts that focus on strengthening both current and future organizational capacity. As part of this approach, these organizations identify, develop, and select their people to ensure that successors are the right people, with the right skills, at the right time for leadership and other positions. Based on our review of leading practices in selected public sector organizations in Australia, Canada, New Zealand, and the United Kingdom, we identified a set of succession planning and management practices that should prove helpful to the Council and individual agencies in their efforts to protect and

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<sup>13</sup>U.S. General Accounting Office, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, GAO-04-546G (Washington, D.C.: March 2004).

<sup>14</sup>U.S. General Accounting Office, *Human Capital: Selected Agencies' Experiences and Lessons Learned in Designing Training and Development Programs*, GAO-04-291 (Washington, D.C.: Jan. 30, 2004).

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enhance organizational capacity.<sup>15</sup> Among these practices we found that these organizations address specific human capital challenges, such as diversity, leadership capacity, and retention.

## Employee Conduct and Poor Performers

OPM and the Merit Systems Protection Board have both done employee surveys and related important work on conduct and poor performers issues. Our work has focused on the broader issue of mechanisms and strategies that agencies can use to reduce workplace conflict, including those associated with conduct and performance issues. For example, our work has shown that alternative dispute resolution (ADR) processes are a way of dealing with workplace conflict.<sup>16</sup> ADR is a resource to employees and supervisors alike and, in our view, can help prevent conflicts manifested as poor conduct or performance from arising in the first place or can facilitate resolution of problems. In short, we believe that a key part of the CHOC subcommittee's agenda should be to explore, validate, and disseminate mechanisms and strategies that can be used to address problems efficiently, effectively, and fairly, as well as keep them from occurring in the first place.

## Emergency Preparedness

As we recently reported, federal continuity planning guidance has appropriately been given priority to the human capital considerations associated with the immediate aftermath of a crisis that is securing the safety of all employees and addressing the needs of employees who perform essential operations.<sup>17</sup> However, we found that additional human capital considerations, especially those associated with the majority of an organization's employees who do not perform essential operations yet would be needed to resume all other agency operations, are also crucial and have not been well developed in federal guidance. To more fully address these considerations, we identified two human capital principles that should guide all continuity efforts—demonstrating sensitivity to individual employee needs and maximizing the contribution of all

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<sup>15</sup>U.S. General Accounting Office, *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, GAO-03-914 (Washington, D.C.: Sept. 15, 2003).

<sup>16</sup>U.S. General Accounting Office, *Human Capital: The Role of Ombudsmen in Dispute Resolution*, GAO-01-466 (Washington, D.C.: Apr. 13, 2001) and *Alternative Dispute Resolution: Employers' Experiences With ADR in the Workplace*, GAO/GGD-97-157 (Washington, D.C.: Aug. 12, 1997).

<sup>17</sup>U.S. General Accounting Office, *Human Capital: Opportunities to Improve Federal Continuity Planning Guidance*, GAO-04-384 (Washington, D.C.: Apr. 20, 2004).

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employees—and six key organizational actions designed to enhance these efforts:

- Demonstrate top leadership commitment.
- Seek opportunities for synergy.
- Maintain effective communication.
- Target investments in training and development.
- Leverage the flexibility of human capital.
- Build a process to identify and share lessons.

We made recommendations to the Federal Emergency Management Administration (FEMA) and OPM to more fully address human capital considerations in emergency preparedness guidance by incorporating the key actions listed above. We also recommended to OPM that they clearly define the role Federal Executive Boards play in improving emergency preparedness coordination in areas outside of Washington, D.C. Both FEMA and OPM need to work together to improve the federal continuity planning guidance, and the CHCO Council can be a key vehicle for this needed collaboration.

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## Council's Important Role in Other Areas

In addition to these important areas, our work suggests that the Council should ensure that its efforts address agencies' need for guidance, assistance, knowledge, and leading practices in several other key crosscutting areas:

*Developing the Capabilities Required for Successful Implementation of Human Capital Reform:* As highlighted previously, the Council can play a central role in helping agencies build the internal capabilities needed to effectively use the authorities that Congress has provided. In that regard, our work has identified a set of capabilities that are central to the effective use of human capital authorities:<sup>18</sup>

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<sup>18</sup>U.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).

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- Plan strategically and make targeted investments.
  - Ensure stakeholder input in developing policies and procedures.
  - Educate managers and employees on the availability and use of flexibilities.
  - Streamline and improve administrative processes.
  - Build transparency and accountability into the system.
  - Change the organizational culture.

*Strategic Human Capital Planning:* Strategic human capital planning is an essential element of the institutional infrastructure to ensure that an agency's human capital program optimizes its workforce's strengths and addresses related challenges in a manner that is clearly linked to achieving the agency's mission. While each agency needs to tailor the strategic workforce planning process to the agency's particular needs and mission, our work has found that there are certain principles that should be addressed irrespective of the particular planning approach or model that is used.<sup>19</sup>

These include:

- Involve top management, employees and other stakeholders in developing, communicating and implementing the strategic workforce plan.
- Determine the critical skills and competencies that will be needed to achieve current and future programmatic results.
- Develop strategies that are tailored to address gaps in number, deployment, and alignment of human capital approaches for enabling and sustaining the contributions of all critical skills and competencies.
- Build the capability needed to address administrative, educational, and other requirements important to support workforce strategies.

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<sup>19</sup>U.S. General Accounting Office, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003).



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- Monitor and evaluate the agency's progress toward its human capital goals and the contribution that human capital results have made toward achieving programmatic goals.

The provisions of the CHCO Act recognize the critical importance of strategic human capital planning and require each CHCO to prepare the portion of the agency annual performance plan and describe how the performance goals and objectives are to be achieved, including the operation processes, training, skills and technology, and the human, capital, information, and other resources and strategies required to meet those performance goals and objectives. In addition, the agency performance reports are to include a review of the performance goals and evaluation of the performance plan relative to the agency's strategic human capital management. These provisions will give additional impetus to improve agencies' strategic human capital planning.

*Transforming the Human Capital Office and Its Processes to More Fully Contribute to Key Agency Decisions:* The need to more closely integrate the agency human capital approaches with agencies' strategies for accomplishing organizational missions places responsibility on the CHCO to develop the human capital office to fulfill enlarged roles, such as, partner with line managers, human capital expert, leader and change agent to meet current and future programmatic needs. To shift the resources of the human capital office from being providers of largely transaction-based services to better align with its role of integrating human capital approaches in agency plans and strategies, the CHCO will often be compelled to restructure its human capital office.

The pressures on human capital professionals to assume new roles present a significant learning and development challenge for human capital staff members. For human capital professionals to begin acting in their new capacities CHCOs must ensure that they develop the competencies through a systematic investment in training and development<sup>20</sup> and gain the experience to effectively take on the expected roles. The CHCOs' personal leadership in providing the vision and the systematic approach to engaging the human capital staff in a positive transition from narrowly-focused specialists to larger roles, such as partners, human capital experts, leaders, and change agents, and assure the staff have all the skills necessary to play an active role in helping to determine the overall strategic direction of the

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<sup>20</sup>GAO-04-546G.

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organization will be a significant long-term challenge. The CFO and CIO experiences at a similar point in their histories recognized the need to build their staff's skills and capabilities.

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In conclusion, the need to transform the way government does its business and the long-term fiscal challenges facing the government will only increase the importance of integrating human capital approaches that are linked to the agency's plans and strategies. While the initial steps taken over this first year have shown progress, the coming year is critical to leveraging that progress to achieve significant accomplishments and facilitate lasting change. This progress will come from aligning the agency human capital approach with program goals and integrating the human capital initiatives and organization as part of a comprehensive systematic approach to transforming the agency and dramatically improving its performance.

Madam Chairwoman and Mr. Davis, this completes my statement. I would be pleased to respond to any questions that you may have.

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## Contacts and Acknowledgments

For further information regarding this testimony, please contact J. Christopher Mihm, Director, Director, Strategic Issues, on (202) 512-6806 or at [mihmj@gao.gov](mailto:mihmj@gao.gov). Individuals making key contributions to this testimony included William Doherty, Clifton G. Douglas, Tony Lofaro, Jeffery McDermott, Susan Ragland, Lisa Shames, and Edward H. Stephenson, Jr.

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