

GAO

Testimony

Before the Subcommittee on Federal Workforce,
Postal Service, and the District of Columbia,
Committee on Oversight and Government Reform,
House of Representatives

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**U.S. GOVERNMENT
ACCOUNTABILITY OFFICE**

**Human Capital Initiatives
and Additional Legislative
Authorities**

Statement of Gene L. Dodaro,
Acting Comptroller General of the United States



Chairman Davis and Members of the Subcommittee:

I appreciate the opportunity to appear before you today to discuss several important topics:

- provisions of H.R. 3268, the GAO Act, that would bolster our ability to attract and retain a highly skilled and diverse workforce needed to serve the Congress and provide for operational improvements and administrative efficiencies;
- steps we are taking to establish and maintain a constructive working relationship with the GAO Employees Organization, International Federation of Professional and Technical Engineers (IFPTE); and
- my commitment to ensure fair and equitable treatment for all segments of our diverse workforce, as reinforced by our commissioning of a study of various performance assessment issues related to African-American Analysts at GAO.¹

Importance of GAO Act Provisions

The GAO Act contains several distinct and critical components. A number of provisions are designed to benefit our employees and to provide a means to continue to attract, retain, and reward a top-flight workforce, while other provisions are aimed at helping us improve our operations and increase administrative efficiencies. We ask for your support of these measures and have outlined each of them below.

Human Capital and Compensation Provisions

- *Permit the GS-15 statutory cap to rise to the Executive Level III*

Our pay surveys indicated that certain higher-level economists, attorneys, management positions, and specialists would warrant salaries above GS-15, step 10. This authority would enable GAO to compensate these skilled professionals and managers up to Executive Level III when justified, thus aiding GAO in its recruitment and retention efforts. This authority is similar to flexibilities exercised by other agencies. For example, the Federal Deposit Insurance Corporation and other agencies concerned with financial matters are not subject to the GS-15 cap. The Departments of Defense and Homeland Security likewise have the ability to pay their staff more than this limit. If this authority is granted, GAO would use its

¹The study comprises Analysts; Auditors; and Specialists, such as Economists and Information Technology Specialists, who perform GAO's audit and investigatory work.

increased pay flexibility only when justified by pay surveys or other compensation data.

- *Allow GAO to incur recruiting expenses for meals and related expenses*

GAO's work requires skilled professionals for whom GAO must compete with leading private sector and public organizations. GAO would like the ability to incur recruiting expenditures for meals and related expenses. This small, but important, step would enhance GAO's effort to attract top talent. At this time, both the Department of Defense for recruiting military members (10 U.S.C §520c) and the Coast Guard (14 U.S.C. §468) have similar provisions. We would use this authority frugally.

- *Achieve equal footing regarding voluntary separation incentive payments (VSIP)*

The law authorizing GAO to provide VSIPs requires GAO to make a substantial payment to the retirement fund—no less than 45 percent of an employee's final basic pay—which renders the flexibility virtually unusable. This contrasts with the flexibility given to the executive branch for VSIPs. While the Department of Defense has agency-specific VSIP authority, and executive branch agencies—with Office of Personnel Management (OPM) approval—have general VSIP authority, in both instances the statutory authority for these programs does not require any payments to the retirement fund for the granting of a VSIP. Removing this requirement would put GAO on an equal footing with other agencies, make VSIPs more practical, and provide an important flexibility to help GAO reshape its workforce should such authority become necessary.

- *Include performance-based bonuses in calculating non-Senior Executive Service and non-Senior Level employees' "high-three" average salary for retirement purposes*

GAO's performance-based compensation system provides a nonpermanent bonus component for some of our employees. As our employees have pointed out, under current law, they do not get credit for these bonuses when OPM calculates their "high-three" average salary for retirement purposes. The GAO Act would remedy the situation by directing that bonuses be included in the "high-three" calculation. This provision does not apply to Senior Executive Service (SES) and Senior Level employees.

Related Compensation Proposals

Before turning to provisions in the GAO Act related to operational improvements and administrative efficiencies, let me address two important proposals related to employee compensation that—while not included in H.R. 3268—have been under discussion as well.

- *Adopting a “floor guarantee” for future annual pay adjustments*

We support the adoption of a “floor guarantee” provision for future annual pay adjustments. We first raised a similar concept with Members of the Subcommittee last May.² Just last month, our negotiating team introduced the idea to the GAO Employees Organization, IFPTE, which agreed to adopt a floor guarantee as part of the agreement governing 2008 pay adjustments. We were pleased to reach a prompt agreement and believe the floor guarantee reasonably balances our commitment to performance-based pay with an appropriate degree of predictability and equity for all GAO employees.

A statutorily based floor guarantee would provide GAO employees with greater certainty about future salary increases and ensure at least pay parity with the executive branch. We support the floor guarantee approach because we believe it will preserve the incentives and rewards of GAO’s performance-based compensation system, while ensuring—subject to the conditions explained below—that GAO employees receive an annual increase in their permanent pay that is at least equal to GS across-the-board increase for each locality area.

The floor guarantee would ensure that all employees performing at the “meets expectations” level or better would receive an annual adjustment to their basic rate that is at least equal to the total annual increase under the General Schedule (GS) system for the employees’ geographic area.³ The only exceptions would be employees (1) receiving ratings below the “meets expectations” level, (2) participating in development programs under which they receive performance reviews and permanent merit pay increases more than once a year, (3) occupying positions covered by the Federal Wage System, or (4) occupying SES or Senior Level positions.

²GAO, *U.S. Government Accountability Office: Status of GAO’s Human Capital Transformation Efforts*, Statement of David M. Walker, Comptroller General of the United States, [GAO-07-872T](#) (Washington, D.C.: May 22, 2007).

³This would be in accordance with U.S. Code, Title 5, Part III, Subpart D, Chapter 53, Subchapter 1.

The floor guarantee would be implemented in the following manner. We would continue to apply the system we implemented in 2006, as authorized by GAO's 2004 legislation. Thus, we first would determine for each employee the amount of GAO's annual adjustment and performance-based compensation, which includes both permanent merit pay adjustments and any nonpermanent bonuses. Then, if the sum of the employee's annual adjustment and permanent merit pay is less than the increase the employee would have received under the annual adjustment to the GS in the employee's geographic area, we would increase the employee's permanent pay to equal the increase that would have been received under the annual adjustment to the GS system that year. If an employee receives an additional adjustment as a result of the floor guarantee, the additional amount would be deducted from any bonus an employee would have received.

- *Addressing prior pay decisions*

We understand that consideration has been given to including a legislative provision that would compensate GAO employees who did not receive the full base pay increases of 2.6 percent in 2006 and 2.4 percent in 2007. At the invitation of subcommittee staff, we have engaged in fruitful discussions about a reasonable and practical approach should the Congress decide to accomplish this objective legislatively. We appreciate the subcommittee's willingness to consider providing GAO with the necessary legal and funding authorities to address this issue. Resolution of this matter would be helpful and would permit us to move forward on other important human capital initiatives.

Operational Improvements and Administrative Efficiencies

The GAO Act also contains a number of provisions to promote operational improvements and efficiencies. These include establishing a statutory Inspector General at GAO, providing the Congress with more information on the level of executive branch cooperation received by GAO in the conduct of our work, authorizing reimbursement for certain financial audits, allowing GAO more flexibility in administering oaths, receiving gifts that do not impair our independence, and clarifying financial disclosure requirements.

- *Establish a statutory inspector general*

The GAO Act would replace our current inspector general (IG) position with a statutory position. GAO supports the IG concept and administratively has created an IG who performs many of the roles of the

statutory IGs. GAO's statutory IG would be similar to the statutory IGs in the other legislative branch agencies. Although appointed by the heads of their respective agencies (or by the Capitol Police Board, in the case of the Capitol Police IG), these statutory IGs are provided with independence and autonomy from the heads of their agencies. They conduct and supervise audits and investigations, and they endeavor to prevent and detect fraud and abuse in their agencies' programs and operations. This is the model followed in H.R. 3268 for GAO's statutory IG.

- *Report on executive branch cooperation*

Although the Comptroller General has certain statutory mechanisms available to aid in conducting GAO audits and investigations, voluntary cooperation of agency officers and employees of audited agencies is essential to the efficiency of GAO's work. The GAO Act includes two new reporting requirements to provide more transparency related to the level of cooperation GAO is receiving from audited agencies. The first would require an annual report card on the overall cooperation of federal agencies in all aspects of GAO's work, including any unreasonable delays in making personnel available for interviews, providing written answers to questions, granting access to records, providing timely comments on draft reports, and responding appropriately to report recommendations. The second reporting requirement would require that the Comptroller General inform the Congress as soon as practicable regarding specific impediments, such as when an agency or other entity does not make personnel available for interviews or does not provide written answers to questions.

- *Obtain reimbursement of certain financial audit costs*

The GAO Act also includes a provision to enable GAO to be reimbursed for the financial audits it performs that, in the first instance, are the specific responsibility of an executive branch agency. Since 1997, the Comptroller General has elected to exercise his statutory discretion to audit the financial statements of the Internal Revenue Service and the Schedule of Federal Debt, issued by the Bureau of the Public Debt, in lieu of the Treasury IG or an independent Certified Public Accountant hired by the IG. As a result, the Department of the Treasury has received these audit services at no cost and without reimbursing GAO. This legislation would require, beginning in fiscal year 2009, any executive branch agency covered by the Chief Financial Officers Act (CFO Act) and Accountability for Tax Dollars Act for which GAO elects to audit financial statements or related schedules to reimburse the Comptroller General for the cost of

performing such audits. Such payment would be consistent with the principle that agencies should pay for financial statement audit services, as they otherwise must when the audit is conducted by their IGs or independent contracted auditors. This principle already has been applied to reimbursements made to GAO by the Securities and Exchange Commission and the Federal Deposit Insurance Corporation, as well as other government corporations for financial statement audits conducted by GAO under separate legal authorities.

- *Provide GAO with greater flexibilities in administering oaths*

Currently, the Comptroller General is authorized to administer oaths to witnesses when auditing and settling accounts. Although in 1921, when the Congress established GAO, auditing and settling accounts represented the bulk of our work, that is not the case today. The Comptroller General has been called upon to perform many other audit, investigative, and adjudicative roles for the Congress. These roles periodically raise situations involving, for example, potential criminal or ethical violations, or conflicting testimony or assertions of material and sensitive subjects. In such situations, the ability to administer oaths would be a useful and important tool for the Comptroller General to accomplish his work for the Congress. The new authority is not expected to be widely used or to have broad impact.

- *Give GAO the same gift authority as other agencies*

Under the GAO Act, the Comptroller General would receive the same authority presently available to many agency heads to aid them in accomplishing their mission. Specifically, the Comptroller General would be authorized to accept and dispose of gifts given for the purpose of aiding and facilitating the work of the office. To implement this authority, we would promulgate regulations to ensure that no conflict or appearance of a conflict would arise when accepting any gifts.

- *Clarify financial disclosure requirements*

GAO is seeking a revision to the law regarding the financial disclosure requirements of its employees to address an unintended result of GAO's revised pay system that vastly increased the number of employees who must file a public financial disclosure report. Under GAO's new pay system, GAO employees no longer receive severable locality pay adjustments, as compensation differences in local markets are already taken into account in setting the pay ranges for GAO's various locations.

The inability to exclude amounts formerly attributable to locality pay has roughly doubled the number of GAO employees who must file a public disclosure report. This amendment would remedy this situation by deducting these amounts from employees' annual rate of pay for purposes of determining who must file a public financial disclosure report. This would substantially reduce administrative burden while assuring that GAO's senior employees remain required to file a public financial disclosure report. The employees who no longer would be required to file a public report would still be required to file a confidential financial disclosure report for review within GAO under GAO's ethics rules.

Remaining Provisions

In the draft bill that we transmitted to the committee last July, there were a number of provisions related to the Office of the Comptroller General and the positions of Comptroller General and Deputy Comptroller General. These provisions are also contained in the GAO Act, as introduced by Chairman Waxman. While we recognize the prerogative of the Congress to address these issues, we believe they should now be placed in abeyance pending confirmation of a new Comptroller General.

Establishing and Maintaining Constructive Union Relationships

As you know, on September 19, 2007, our Band I and Band II Analysts, Auditors, Specialists, and Investigators voted to be represented by the International Federation of Professional and Technical Engineers (IFPTE) for the purpose of bargaining with GAO management on various terms and conditions of employment. GAO management is committed to working constructively with employee union representatives to forge a positive labor-management relationship.

Since September, GAO management has taken a variety of steps to ensure it is following applicable labor relations laws and has the resources in place to work effectively and productively in this new union environment. Our efforts have involved:

- postponing work on several initiatives regarding our current performance and pay programs;
- delivering specialized labor-management relations training to our Band III, Band III-equivalent, SES, and Senior Level staff;
- establishing a new Workforce Relations Center within our Human Capital Office that is responsible for providing employee relations and labor relations advice and services to GAO management and leadership;
- hiring a Workforce Relations Center director, who also serves as our chief negotiator in collective bargaining deliberations.

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- In addition, we routinely notify union representatives of meetings that may qualify as formal discussions, so that a representative of the GAO Employees Organization, IFPTE, can attend the meeting. We also regularly provide the GAO Employees Organization, IFPTE, with information about projects involving changes to terms and conditions of employment over which the union has the right to bargain.

As mentioned earlier, we were pleased that GAO and the GAO Employees Organization, IFPTE, reached a prompt agreement on 2008 pay adjustments. The agreement was overwhelmingly ratified by bargaining unit members on February 14, 2008, and we have applied the agreed-upon approach to the 2008 adjustments to all GAO staff, with the exception of the SES and Senior-Level staff, regardless of whether they are represented by the union. The agreement embodies the floor guarantee described earlier in this statement.

Pursuing Our Commitment to Diversity and Fair Treatment for All Staff

Recruiting, rewarding, and retaining a high-performing diverse workforce is critical if GAO is to successfully carry out its mission in support of the Congress. As you know, an effective GAO requires a first-rate workforce that is representative of our society and steeped in a wide variety of disciplines that can gather the facts and develop innovative solutions to both old and new problems challenging the federal government.

Meeting these challenges requires top leadership commitment, sustained effort, and a focus on continuous improvement. For example, we enhanced our professional development programs for entry level staff; initiated a formal agencywide mentoring program; and continue our strong support for flexible work schedules and teleworking to help GAO employees balance the demands of work and home. GAO's two most recent testimonies before this subcommittee outlined many other support measures and safeguards in place to help ensure fair and equitable treatment of all employees.⁴

As circumstances warrant, we also are committed to studying areas in depth where we have reason to believe that actions and improvements are needed. One such example is GAO's decision in August 2007 to contract with the Ivy Planning Group (Ivy) for an independent assessment of

⁴GAO-07-872T; and GAO, *Human Capital: Building Diversity in GAO's Senior Executive Service*, Statement of Ronald A. Stroman, Managing Director, Office of Opportunity and Inclusiveness, GAO-08-275T (Washington, D.C.: Nov. 13, 2007).

differences in the averages of African-American Analysts' performance compared with white Analysts and to provide the Ivy team with complete access to relevant data and staff. Shortly after the contract award, we provided Ivy with all requested data on appraisals; employee demographics; employee education and skills; and information on GAO's performance management, pay, development, and recruitment programs. Further, in response to additional Ivy requests after they conducted employee and management interviews and focus groups, we provided information related to hires and separations, employee feedback scores, and exit survey results.

We tasked Ivy with reviewing African-American and white Analysts' performance appraisal data from 2002 through 2006—which was the data available at the time Ivy's study began. In addition, we charged Ivy with assessing and comparing the skills, assignments, engagement roles, training, educational attainment, and recruiting practices at GAO for African-American and white Analysts, as well as with identifying best practices internally and externally that might enhance GAO's performance management systems and assist us in reducing any gaps. Ivy has been asked to recommend further steps that GAO can take to ensure fair, consistent, and nondiscriminatory application of GAO's performance management system.

Ivy has not yet finished its analysis and is not scheduled to issue a final report until April 2008. We are looking forward to receiving the final report and its recommendations. We will keep this subcommittee and other interested parties informed as we address the recommendations contained in this final report.

As we implement necessary improvements to address this issue, as well as others, we are fortunate to have a solid foundation upon which to build. For example, while we missed a few of the targets we established, our employee feedback survey scores, as shown in appendix I, for our "people" measures on staff development, staff utilization, leadership, and organizational climate have remained relatively stable even in a period of significant change. Further, we are proud that GAO was named second among large agencies across the federal government in the 2007 ranking of best places to work, which was issued by the Partnership for Public Service and the Institute for the Study of Public Policy Implementation at American University. In addition, when results were analyzed by demographic groups, GAO ranked second among female, African-American, and Hispanic employees.

This overall positive work environment is one of many reasons GAO's dedicated and talented workforce is able to effectively serve the Congress and produce solid results for the American people.⁵ Last fiscal year, our work contributed to hundreds of improvements in government operations and benefits, as well as \$45.9 billion in financial benefits or a \$94 return for every dollar the Congress invested in us. We also contributed to over 270 congressional hearings and provided hundreds of valuable products to assist the Congress on topics as wide ranging as food safety, border patrol, and tax compliance.

In closing, I want to reiterate our appreciation for the subcommittee's consideration of these legislative proposals to strengthen GAO. We look forward to continuing our constructive dialogue with the subcommittee on these and other issues in the future. Thank you for the opportunity to share our views. Mr. Chairman, I would be pleased to answer any questions that you or other Members of the Subcommittee may have at this time.

⁵GAO, *Performance and Accountability Report, Fiscal Year 2007*, [GAO-08-1SP](#) (Washington, D.C.: Nov. 15, 2007).

Appendix I: Agencywide Summary of Annual Measures and Targets

Performance measure	2003 actual	2004 actual	2005 actual	2006 actual	2007 target	2007 actual	Met/ not met	2008 target
Results								
Financial benefits (dollars in billions)	\$35.4	\$44.0	\$39.6	\$51.0	\$40.0	\$45.9	Met	\$40.0 ^a
Nonfinancial benefits	1,043	1,197	1,409	1,342	1,100	1,354	Met	1,150
Past recommendations implemented	82%	83%	85%	82%	80%	82%	Met	80%
New products with recommendations	55%	63%	63%	65%	60%	66%	Met	60%
Client								
Testimonies	189	217	179	240	185	276	Met	220
Timeliness ^b	N/A ^c	89%	90%	92%	95%	94%	Not met	95%
People								
New hire rate	98%	98%	94%	94%	95%	96%	Met	95%
Acceptance rate	72%	72%	71%	70%	72%	72%	Met	72%
Retention rate								
With retirements	92%	90%	90%	90%	90%	90%	Met	90%
Without retirements	96%	95%	94%	94%	94%	94%	Met	94%
Staff development	67%	70%	72%	76%	75%	76%	Met	76%
Staff utilization ^d	71%	72%	75%	75%	78%	73%	Not met	75% ^e
Leadership	78%	79%	80%	79%	80%	79%	Not met	80%
Organizational climate	71%	74%	76%	73%	76%	74%	Not met	75% ^f
Internal operations								
Help get job done	3.98	4.01	4.10	4.10	4.00	4.05	Met	4.00
Quality of work life	3.86	3.96	3.98	4.00	4.00	3.98	Not met	4.00

Source: GAO.

Notes: Information explaining all of the measures included in this table appears in GAO Performance and Accountability Report, Fiscal Year 2007, [GAO-08-1SP](#) (Washington, D.C.: Nov. 15, 2007)—see the Data Quality and Program Evaluations section in Part II.

^aOur fiscal year 2008 target for financial benefits differs from the target we reported for this measure in our fiscal year 2008 performance budget in January 2007. Specifically, we decreased our financial benefits target by \$1.5 billion based on (1) our assessment of our past recommendations that were likely to be implemented in fiscal 2008 by federal agencies and the Congress and (2) the impact that our constrained budget might have had on the work that leads to financial benefits.

^bSince fiscal year 2004, we have collected data from our client feedback survey on the quality and timeliness of our products, and in fiscal year 2006, we began to use the independent feedback from this survey as a basis for determining our timeliness.

^cN/A indicates that the data are not applicable because we did not collect it from our client feedback survey this period.

^dOur employee feedback survey asks staff how often the following occurred in the last 12 months: (1) my job made good use of my skills, (2) GAO provided me with opportunities to do challenging work, and (3) in general, I was utilized effectively.

^eOur fiscal year 2008 target for staff utilization differs from the target we reported for this measure in our fiscal year 2008 performance budget in January 2007. We lowered the staff utilization target by 3 percentage points because we determined that, based on our past performance, the target was unrealistic, and we reset it at a level that is still challenging but more likely to be achieved.

^fOur fiscal year 2008 target for organizational climate differs from the target we reported for this measure in our fiscal year 2008 performance budget in January 2007. We decreased the organizational climate target by 1 percentage point because we determined that based on our past performance, the target was unrealistic, and we reset it at a level that is still challenging but more likely to be achieved.

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