



SUBJECT: Action Plan in Response to the Report of the National Academy of Public Administration (NAPA) on the Defense Civilian Intelligence Personnel System (DCIPS)

Background. Section 1114(c) of the Fiscal Year 2010 National Defense Authorization Act (FY 10 NDAA) requested that the Secretary of Defense (SECDEF), the Director of National Intelligence (DNI), and the Director of the United States Office of Personnel Management (D/OPM) jointly designate an independent organization to conduct a review of DCIPS and report their findings and recommendations to the SECDEF and the Congressional committees not later than June 1, 2010. The FY 10 NDAA language requested that the independent organization review the operation of DCIPS, including:

- its impact on career progression;
- its appropriateness or inappropriateness in light of the complexities of the workforce affected;
- its sufficiency in terms of providing protections for diversity in promotion and retention of personnel; and
- the adequacy of the training, policy guidelines, and other preparations afforded in connection with transitioning to that system.

The National Academy of Public Administration (NAPA) was designated to conduct the study, and provided their report of findings and recommendations, as required, on June 1, 2010.

In summary, The NAPA Panel found that the DCIPS design was fundamentally sound, but that implementation had been flawed. Based on the Academy's research and deliberations, the Panel of Academy Fellows who conducted the review applauded the effort that USD(I) has made to bring the DoD intelligence components closer together through the adoption of DCIPS. The Panel recommended that DoD move forward with implementation of DCIPS by phasing in its performance-based compensation elements at the remaining [those outside of the National Geospatial-Intelligence Agency (NGA)] DoD intelligence components based on readiness assessments of the individual components. The NAPA Panel recommended as a condition for moving forward with implementation of performance-based compensation that the USD(I) should:

- Complete and disseminate all DCIPS governing policies by November 1, 2010;
- Develop formal change management and communications plans for transitioning DCIPS components into a planned implementation schedule;

- Establish a Program Office within the Office of the Under Secretary of Defense for Intelligence (OUSD(I)) with overall responsibility for implementation of DCIPS within the Department;
- Complete the analysis of the performance management and performance payout/bonus processes and identify appropriate follow-on actions; and
- Develop mandatory, specific, and robust training and accountability regimens for DoD intelligence components' supervisors and managers regarding their responsibilities under the DCIPS performance management process.

SECDEF Decision and Action Plan. Following an internal review of the NAPA Panel's findings and recommendations in the context of the current operating environment, the SECDEF decided that it was not in the interest of the Department or the Defense Intelligence workforce to move forward with the pay-for-performance elements of DCIPS as recommended by the NAPA Panel. This decision was made in consultation with the DNI, the D/OPM and the Congressional committees.

The SECDEF also decided that NGA will remain under its pay-for-performance system based on the fact that the system has been in place for 11 years and is culturally engrained in its workforce. Requiring that NGA move away from its current system would be just as disruptive to the NGA mission effectiveness as conversion of other Defense Intelligence components to pay-for-performance.

All Defense intelligence components, including NGA, will remain under DCIPS policies intended to create a common performance-oriented personnel framework to ensure maximum commonality within the Defense Intelligence Enterprise. Those policies linking base pay to performance and placing employees in open pay bands will be revised.

The SECDEF decided not to move forward with pay for performance for the remaining Defense Intelligence components for many reasons. Key among them were:

- The operational tempo within the Department and the Intelligence Community is such that a major change initiative evoking such widespread employee concern has potential for detracting from mission focus required;
- Congressional support necessary to undertake and support such a change at this time is mixed at best; and
- The move away from pay for performance and the NSPS in the non-Intelligence elements of the Department complicate the implementation of pay for performance within DCIPS, particularly within the Military Services where current and former NSPS and DCIPS employees work side-by-side.

Although the SECDEF has decided not to move forward with the NAPA Panel's recommendations regarding pay for performance, he has directed that the recommendations contained in their report be implemented, as appropriate, to improve the effectiveness of performance management, and ensure equity and fairness across the Enterprise for allocation of recognition and rewards through bonuses, awards, promotions, and other mechanisms available under DCIPS regulations. Specific actions planned in response to The NAPA Panel's guidance follow:

1. Complete and disseminate all DCIPS governing policies. Since the completion of the NAPA Panel's review, the final two key DCIPS regulations have been approved, completing all key regulations governing DCIPS within the Department. Currently, the approved regulations include:

Volume 2001, DCIPS Introduction

Volume 2005, DCIPS Employment and Placement

Volume 2006, DCIPS Compensation Administration

Volume 2007, DCIPS Occupational Structure

Volume 2008, DCIPS Awards and Recognition

Volume 2011, DCIPS Performance Management

Volume 2012, DCIPS Performance-based Compensation

Four additional supporting DCIPS regulations are in the final stages of coordination, and will be published in final form by October 31, 2010, or as soon as is possible within the DoD regulatory approval process. These volumes are:

Volume 2004, Adjustment in Force

Volume 2009, Adverse Actions

Volume 2010, Professional Development

Volume 2014, Employee Grievances

In addition, Volume 2013, Program Evaluation, is in final draft and will enter coordination by the end of July. We are targeting the end of Calendar Year 2010 to have that regulation approved in its final form.

The SECDEF decision not to move ahead with linking base-pay increases will require modifications to Volumes 2006, 2007, and 2012 to provide policy for operating under a General Schedule-like (GG) structure and managing those employees within the DCIPS

policy framework. Those modifications are expected to be completed and in final coordination by December 31, 2010. Separate policy guidance will be issued by the USD(I) to facilitate the return to the GG grades, based on timelines to be established that support component readiness and funding availability.

2. Change management and communications. The NAPA Panel noted in their report that the complex process of managing change and communications across the workforce required greater planning and oversight from OUSD(I) than had been exercised during the initial stages of DCIPS implementation. The process of moving forward with implementing the common DCIPS policy framework within the Defense Intelligence components necessary to realize the goals of a more integrated and collaborative Intelligence Community envisioned by the 9/11 and WMD Commissions, and incorporated into the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), remain daunting. The Defense Intelligence components have a long history of independent personnel authorities that supported individual organizational missions and personnel goals, but often were at cross-purposes with the collective Defense Intelligence, IC, or national security missions and goals of a unified Defense intelligence enterprise.

OUSD(I) will prepare and publish a comprehensive change management plan by October 31, 2010, that addresses:

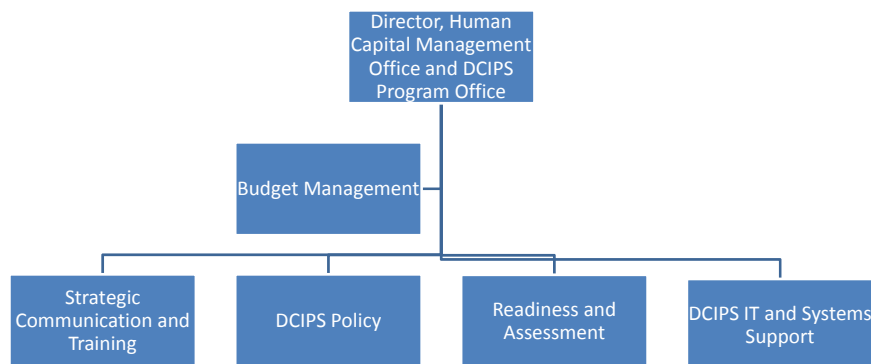
- The role of leadership in managing the evolution of DCIPS to a common Defense Intelligence personnel framework in a manner that maintains the fundamental tenets of the General Schedule-like graded structure and base pay delivery mechanisms, but supports development of a collaborative performance-oriented culture within the Department and the IC;
- The process and timeline for moving DCIPS components from the current banded structure to a General Schedule-like structure (GG) that retains the overall DCIPS policy structure, including occupational structure and work alignment, but provides traditional periodic increases within the individual GG grades and provides for career progression within the GG structure in accordance with merit principles;
- The alignment of individual performance expectations to specific mission objectives, requirements for continuous employee/supervisor dialogue on work objectives and progress, and evaluation of employee work accomplishments against common standards across occupations and organizations;
- Fairness and equity in hiring, promotion, assignment, and recognition processes across and within all Defense Intelligence components;
- Mechanisms for engaging with employees and other stakeholders on changes to

DCIPS policies and implementation issues;

- Cascading communications from the USD(I) through component leadership to all employees regarding changes to and performance of DCIPS policies and processes across the Enterprise; and
- The oversight role of the USD(I) for effective workforce management within the Defense Intelligence Enterprise.

3. Establish a Program Office within the OUSD(I) with overall responsibility for implementation of DCIPS within the Department. The OUSD(I) Human Capital Management Office (HCMO) will remain the focal point for DCIPS implementation. Director HCMO, a direct report to the USD(I), will be responsible for the overall execution of this plan and for the continued evolution of DCIPS policies, communications, oversight and budget execution. DCIPS program areas will be functionally executed by leads responsible for Strategic Communication and Training, DCIPS Policy, Readiness and Assessment, and DCIPS IT and Systems Support. . The current staffing levels will be augmented through staff hires, Joint Duty assignments and additional contract support. The organization of the Program Office is shown below:

DCIPS Program Office



4. Performance Management. The NAPA Panel noted in its report that a consistent theme was heard from managers and supervisors regarding the administrative burden

associated with the DCIPS performance management system. We take these issues very seriously because the effectiveness of the performance management process is arguably the single most important element in driving the cultural changes required to meet the mandates of the IRTPA. We have divided the issues identified by The NAPA Panel, and those separately reinforced by our own feedback from employees and managers through surveys of the workforce perceptions, into the following four categories that we will address separately in our action planning and execution.

a. Written narrative requirements. Supervisors and managers have voiced concerns about the amount of time necessary to prepare the narratives required by DCIPS policy as part of the annual performance evaluation process. We find that some of these burdensome requirements have been self-imposed as a result of misinterpretation of the DCIPS policy and normal challenges of the first year in a new system; however, we do recognize this as an area for improvement. New guidance to components already has been issued that allows certain streamlining of required narratives into a more succinct form of performance documentation, but will ensure that communication channels between the employee and supervisor are maintained. The guidance also includes instructions for more effective use of the current performance management supporting software tools, pending future scheduled design improvements.

b. Design of the software tools for performance management. Universally, employees and supervisors have voiced concerns regarding the difficulty of using the software tools. In response to these concerns, we currently have in progress a usability study of the Performance Appraisal Application used by the Military Services, the Defense Security Service and the OUSD(I), in which employees, rating officials and reviewing officials are working with the design team to identify improvements. In addition, the components using other software tools have been directed to perform similar usability studies. The results of those studies are due to OUSD(I) on September 30, 2010, and will be used to drive requirements for upgrades and streamlining efforts during FY 2011.

c. Evaluation of value-added with current performance elements. The DCIPS performance management system is designed to address both what and how the employee accomplishes his/her performance expectations during the evaluation period. Performance objectives are intended to address what the employee accomplishes. They are jointly developed between the employee and supervisor at the beginning of each evaluation period, and are intended to directly align the employee's expectations to the mission and objectives of the organization. In addition, each employee is rated separately against six behavior-based performance elements that are common across the IC, and are intended to assess how the employee has accomplished his/her objectives. Rating officials

and employees have voiced concerns regarding the performance elements both on the grounds that their relationship to the objectives is not clear and that they are, in some cases, redundant or confusing as to the value they add to the evaluation process. The NAPA Panel also suggested that the standards for the performance elements may lead to unintended disparate treatment between employees in direct mission work, such as analysis, and those in supporting roles, such as finance or human resources.

We have established a study team supported by contractors with expertise in this area to examine both the structure and content of the performance elements, and make recommendations to leadership in the Department and the DNI for changes that may be warranted. The initial recommendations of the team are due to the Defense Intelligence Human Resources Board by September 2010. As part of the review, we will seek input from employees through focus groups and other venues both in the Washington Metropolitan Area and the field. The results of the review will be vetted through the regulatory processes of both the Department and the DNI, with a goal of completing any regulatory changes and accompanying employee and supervisory training in time for the FY 2012 performance management period that begins in October 2011.

d. Rating official and employee training. Both the findings of the NAPA Panel and the Department's own internal evaluation suggested that additional training was required in the performance evaluation process. Much of the training in the early implementation of DCIPS was directed at teaching the mechanical aspects of the performance evaluation process, particularly the process of writing effective performance objectives and using the software tools to actually complete the evaluations. Feedback from rating officials, and employee perception surveys, indicate that focus is required on training to the so called "soft skills," such as how to conduct effective feedback sessions with employees, both during the evaluation period and at the end of the evaluation period. OUSD(I), with support from the ODNI, will develop additional training on supervisory responsibilities in the performance management process for delivery within the individual components during the FY 2011 evaluation period. We will continue to monitor and improve the effectiveness of the training programs as a key element of improving performance management within the Defense Intelligence Enterprise.

5. Equity Analysis. Although the Department will not be moving forward with plans to link future employee base pay increases to performance, equity and fairness remain key measures of the success of any personnel system. DCIPS is intended to level the playing field within the Defense Intelligence Enterprise. Hiring, promotion, and recognition processes (including performance bonuses, Quality Step Increases, and awards) must be managed equitably within and across the DCIPS components. OUSD(I) will continue to

evolve its ongoing evaluation processes to provide appropriate oversight of component practices. Beginning in FY 2010, annual employee perception surveys were implemented to seek employee opinions of the effectiveness of the performance evaluation process and the fairness of the bonus programs that are part of DCIPS. With NGA, those evaluations extended to all base pay increases as well. OUSD(I) will continue on an annual basis to conduct employee perception surveys designed to assess employee views on all elements of DCIPS, including the pay-for-performance elements of DCIPS within NGA, and will continue to conduct detailed data-driven analyses of specific outcomes against success measures designed to assess equity within and among DCIPS components. The results of those analyses will form the basis for continual improvement of workforce management within the Defense Intelligence Enterprise.

Oversight and Reporting. Although the Department will not expand the link between base pay increases and performance, nor the use of open pay bands, beyond NGA, we will continue to evolve DCIPS as a common personnel system within the Defense Intelligence Enterprise. When fully implemented and inculcated, DCIPS will provide a policy framework that supports the mandates of the IRTPA to create an Intelligence Community culture that is collaborative and performance-driven. In order to ensure that the recommendations of NAPA are appropriately integrated to achieve a more effective DCIPS implementation, the Director, HCMO will oversee the accomplishment of all actions identified above. By 30 March of each calendar year, he or she will report progress against each action and follow-on actions planned to the USD(I), the DNI and the Congressional oversight committees.