CIVIL SERVICE EVALUATION: THE ROLE OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT

A Report Concerning Significant Actions of the Office of Personnel Management

A Report to the President and the Congress of the United States by the U.S. Merit Systems Protection Board

U.S. MERIT SYSTEMS PROTECTION BOARD
Washington, D.C. 20419

November 1992

The President
President of the Senate
Speaker of the House of Representatives

Sirs:

In accordance with the requirements of the Civil Service Reform Act of 1978, it is an honor to submit this Merit Systems Protection Board report entitled "Civil Service Evaluation: The Role of the U.S. Office of Personnel Management." This study was conducted as part of the Board's responsibility to report on the significant actions of the Office of Personnel Management.

We have found improvements in the ability of OPM's personnel management evaluation program to ensure regulatory compliance in Federal agencies. We have also identified several initiatives which would help this program contribute to improved management of human resources within agencies.

We believe that you will find this report useful as you consider issues concerning the efficient and effective management of the Federal civilian workforce.

Respectfully,

Daniel R. Levinson
Chairman

Antonio C. Amador
Vice Chairman

Jessica L. Parks
Member

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The U.S. Office of Personnel Management

U.S. Merit Systems Protection Board

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Executive Summary

Since 1883, the U.S. Government has been committed to a merit-based civil service system intended to ensure the presence of a well-qualified Federal workforce that effectively and efficiently carries out the many missions of Government. That commitment is currently embodied in an extensive set of personnel laws, regulations, and procedures cast within a framework of statutory merit system principles. As the Government's central personnel agency, the U.S. Office of Personnel Management (OPM) is assigned major responsibility for ensuring that individual Federal agencies operate their personnel programs in accord with those merit principles. Moreover, through its oversight activities, OPM is to monitor the effectiveness of the personnel laws, regulations, and procedures in order to help guide their continual evolution and refinement. A major mechanism used by OPM to fulfill its oversight and compliance responsibilities is a formal personnel management evaluation program. This report reviews and assesses the operation of that program.

The U.S. Merit Systems Protection Board (MSPB), an independent Federal agency, conducts an annual review and reports on the significant actions of OPM as part of a planned system of "checks and balances" to protect the public interest in a merit-based civil service system. Since its establishment in 1978, MSPB has periodically included OPM's personnel management evaluation (PME) program in those reviews. This reflects both the importance of the PME program and the fact that it has undergone some significant changes over time. While those earlier MSPB reviews were critical of a number of shortcomings in OPM's evaluation program, the last review in 1989 identified some promising initiatives and plans on the part of OPM to address those problems. This update finds that some of those efforts have met with success while others have not. The report concludes with several recommendations for change.

OPM's personnel management evaluation system has a long history extending back to the 1940's and its predecessor agency, the U.S. Civil Service Commission (CSC). When the Commission was abolished and OPM was established by the Civil Service Reform Act of 1978, OPM initially continued to operate the program it inherited from CSC. This program was focused on compliance with law and regulation by individual Federal installations and operating personnel offices and entailed numerous, resource-intensive site visits by OPM evaluators.

In fiscal year 1984, OPM made a major change in emphasis in its PME program from one focused on evaluations of individual Federal installations to one focused on gathering and aggregating statistical data from the Federal agencies on their personnel operations. The intent was to provide to the OPM director better Governmentwide indicators on the status of Federal human resources management. However, in two previous studies covering OPM's 1984 program change, MSPB found that the indicators proved to be of limited value. Further, the revised PME program at that point lacked the capacity to uncover systemic problems and abuses in the civil service.

Findings and Recommendations

Since fiscal year 1990, OPM has been amending its PME program, changing its emphasis from aggregated statistical indicators to greater focus on individual Federal installations and on regulatory compliance. MSPB finds that this re-emphasizing of compliance and of individual Federal installation needs in the PME program is a positive development.

Notwithstanding these positive developments, MSPB also finds that OPM's PME program should be playing a more effective role in supporting the Federal human resources management program. This larger role has been envisioned by OPM, itself, in its "Strategic Plan for Federal Human Resources Management" published in FY 1991. In part, that plan calls for the personnel management evaluation system to "improve agency performance and create a link between good personnel policy and mission accomplishment."

A major purpose of OPM's strategic plan, of course, is to articulate goals still to be achieved and to provide broad measures in the form of desired outcomes by which to judge progress toward those goals. In that context, MSPB offers the following major findings and recommendations to help plot the future course of OPM's personnel management evaluation program:

1. While OPM has maintained a significant organizational and resource commitment to PME, the commitment among the individual departments and agencies has varied widely from almost none to quite a bit. For those agencies on the low end of the scale, this can be quite problematic since OPM justifiably depends on active individual agency PME programs to round out its own efforts. Part of the reason for lack of agency commitment is that most Federal managers still do not see any linkage between PME and their efforts toward more effective mission accomplishment. OPM needs to provide this linkage through its leadership of and communication with other Federal agencies.

   OPM needs to exercise its leadership in this area by:

   - **increasing its efforts to evaluate agency PME programs, providing more feedback and, as needed, assistance to agencies in need of improvement;**
   - **revising the Federal Personnel Manual chapters on PME as soon as possible to improve coordination of OPM and agency efforts and to clarify agency obligations under this program;**
   - **obtaining greater involvement by line managers outside the personnel function in future efforts to improve the approach to PME;**
   - **seeking recognition of the Personnel Management Evaluation program as a legitimate element of each agency's mandated internal management control system; and**
   - **develop better indicators of personnel management effectiveness. Such indicators should seek to establish and reinforce the link between mission accomplishment capability and various personnel management practices, policies, and procedures. Such indicators might be developed through a collaborative effort between OPM and another Federal agency in order to create a model agency-level PME program that can be shared for possible adaptation by other agencies.**

2. Over time, OPM expended considerable resources in developing a statistical report on personnel management activities and operations—the Personnel Management Indicators Report (PMIR). OPM estimates that the current cost of maintaining this system is minimal (slightly less than one staff year plus overhead). Nonetheless, most agencies reported that the periodic PMIR reports provided to them were simply not useful (or used). In response to this finding and an MSPB suggestion that the distribution of those reports be discontinued, OPM noted that it would:

   - work with agencies to explore whether additional statistical reports would be useful; and
   - ensure that the intent of the PMIR and its appropriate uses are well understood and communicated.

   OPM should follow through on its stated intention to work with agencies in a reexamination of the PMIR. Future transmission of the PMIR reports to agencies, if any, should be dependent on demonstrated need and utility. Independently, of course, OPM may wish to retain any aspects of the PMIR that it finds useful for its own Governmentwide policy and program planning and evaluation.

Introduction

Purpose of Study

The U.S. Merit Systems Protection Board (MSPB) has a responsibility to report to the President and Congress on "the significant actions of the Office of Personnel Management [OPM], including an analysis of whether the actions of [OPM] are in accord with merit system principles and free from prohibited personnel practices."[1] The Board discharges this responsibility by studying one or more aspects of OPM's program each year. This review and evaluation of OPM's oversight of Federal personnel systems and agency personnel programs is one of those studies.

Many of OPM's activities contribute to its oversight efforts, such as OPM's audits of delegated examining, audits of Senior Executive Service (SES) programs, and evaluation of personnel security programs. However, OPM's principal mechanism for exercising oversight is the personnel management evaluation (PME) program. The current study is focused on that program and its contribution to oversight.

This is MSPB's fourth published study of OPM's oversight program since the creation of the two agencies by the Civil Service Reform Act of 1978 (CSRA).[2] Our earlier studies of OPM's oversight program centered on the PME program as does the current study. In these earlier studies, we focused on OPM's ability to ensure Federal agencies' compliance with personnel law and regulation, and we found need for improvement. While the current study looks at OPM's program for ensuring compliance, its focus is on the broader aspects of the PME program. These aspects include the ability of the program to enhance the merit principles and, most importantly given the emphasis on quality in the Federal Government, the ability of the PME program to help managers identify and solve their human resources problems.

Our study finds that OPM has improved its ability to ensure regulatory requirements since we last looked at the PME program. However, the program has not effectively addressed the need to enhance agencies' human resources programs to meet the needs of managers. While OPM has taken some initiatives to address management needs, much more remains to be done. This is particularly critical since the PME program has been identified within OPM's strategic plan as a key element for achieving greater acceptance of human resources management practices by managers.

This report makes several recommendations for initiatives which we feel will help OPM to better focus its program on achieving its stated goals.

Methodology

We began our study by reviewing current and prior OPM guidance and publications related to the oversight function, and past analyses of OPM's PME program by the Board and by the U.S. General Accounting Office (GAO). We then held group interviews with officials responsible for the personnel evaluation programs in 18 of the largest Federal departments and agencies. We also had a number of interviews with staff members of the office responsible for OPM's PME program, the Agency Compliance and Evaluation (ACE) office. In addition, the study team visited OPM's San Francisco

[1] 5 U.S.C. 1206.

[2] The prior studies were: U.S. Merit Systems Protection Board, "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," Washington, DC, June 1989; U.S. Merit Systems Protection Board, "Report on the Significant Actions of the Office of Personnel Management During 1984-1985," Washington, DC, May 1986; and U.S. Merit Systems Protection Board, "Report on the Significant Actions of the Office of Personnel Management During 1983," Washington, DC, December 1984.

regional office to assess the way that office was implementing OPM's PME program and to look at several initiatives that office was taking to enhance the effectiveness of the PME program at Federal agencies within the San Francisco region.

In addition, we provided OPM with a draft of this report for review and comment. OPM agreed with some recommendations contained in this report and noted relevant efforts that they plan to take or have already taken. After receiving OPM's comments, we expanded our discussion to address these comments. Based on OPM's comments, we also made some modifications for purposes of clarity and dropped some discussion which was not part of the main focus of the report. A copy of OPM's comment letter is included as an appendix.

Findings

EVOLUTION OF CIVIL SERVICE OVERSIGHT

The personnel management evaluation program is one which has existed for over 40 years, and the program as it exists today is a product of that 40-year history. The PME program arose from the military inspection model at the end of World War II. This helps explain why certain emphases have existed in the program and provides a point of departure from which to initiate new methods which will enhance the program without undoing the PME program's current utility.

Oversight Prior to the Civil Service Reform Act of 1978

The U.S. Civil Service Commission (CSC), which preceded OPM as the Federal Government's central personnel management agency, began operating an oversight program shortly after World War II. CSC program instructions issued as part of the Federal Personnel Manual (FPM) in 1972[3] traced the origins of this program to CSC's need to provide oversight of the authorities delegated to the agencies as a result of the huge expansion of the Federal workforce during World War II. The 1972 FPM issuance pointed to Executive Order 9830 (Feb. 24, 1947), which assigned CSC the responsibility for providing leadership in personnel management throughout the civil service, as the impetus for the oversight program.

In the early years of the program, CSC's primary oversight activity was policing compliance by the agencies with law and regulation. The principal element of the program was designated "personnel management evaluation" (PME), with CSC "inspectors" performing compliance reviews at Federal installations.

The PME oversight program continued to grow as CSC delegated more personnel management responsibility to the departments and agencies. By the early 1970's, the PME program was so extensive that it required staffs nationwide in all of CSC's regions. By that time, CSC had changed the name of its agents from "inspectors" to "evaluators," reflecting a broadening of oversight coverage over time. That is, the program had expanded from the original focus on auditing for legal and regulatory compliance to include the following two functions as well:

- Evaluating the quality of management in operating personnel offices and the effect of personnel policies and practices on employees and managers, and providing feedback to agency heads and the CSC chairman; and
- Motivating agency managers at all levels to improve personnel management in their agencies.

The CSC oversight program relied on an evaluation process that used a complex, labor-intensive methodology. A typical evaluation at that time was focused on a single operating personnel office within an agency and included extensive reviews of programs and a review of a sampling of individual actions, such as promotions, appointments, and awards, for compliance with regulations and procedural and documentary requirements. In addition, evaluations typically included desk audits of selected positions, with evaluators sitting down with employees to make sure that, among other things, the work performed matched the work described in the position description. Evaluation teams were typically on site for 2 or more weeks. Providing some indication of the complexity and difficulty of their work was the volume of PME program guidance issued by CSC. By 1972, the agency's PME program materials included a Federal Personnel Manual supplement and the specific procedures, techniques, and forms used in the oversight process. These materials filled two 3-inch ring binders.

[3] Federal Personnel Manual Supplement (Internal) 273-73, September 1972.

In addition to operating its own PME program, CSC encouraged individual departments and agencies to develop their own personnel management evaluation programs. While some agencies had established internal PME programs as early as World War II (the FPM supplement on PME pointed to the War Department as an example), all Federal departments and agencies were not required to establish PME programs until directed to by a Presidential Memorandum dated October 9, 1969, which stated the following:

> Each Executive department and agency [head] shall * * * establish a system to review periodically the effectiveness of personnel management in his organization so that he can assure himself and me that his organization is striving continuously to achieve the best possible use of personnel resources.

The October 1969 memorandum also spelled out CSC's leadership role in personnel management evaluation as intended at that time, specifying that CSC should exercise leadership by:

- Establishing standards for adequate evaluation systems [within the departments and agencies];
- Conducting research in and developing methods for evaluating personnel management;
- Ensuring that persons who engage in personnel management evaluation are properly qualified and receive the necessary training;
- Assessing the adequacy of agency evaluation systems and requiring necessary improvement;
- Maintaining its own capability to make independent evaluation of agency personnel management effectiveness sufficient to evaluate the adequacy of agency efforts and to supplement and complement such efforts; and
- Collaborating and coordinating with the Bureau of the Budget [the predecessor of the Office of Management and Budget] in its overall responsibility for evaluation of organization and management in the Executive Branch.

The PME program based on the 1969 Presidential Memorandum remained in place at CSC until 1979 when provisions of the Civil Service Reform Act abolished that agency and created the Office of Personnel Management, which absorbed the PME function.

Oversight After the Civil Service Reform Act of 1978

The CSRA ushered in a new era of oversight in the civil service by articulating in law for the first time, the general principles (the Merit System Principles)[4] to be followed and specific personnel practices which were forbidden (the Prohibited Personnel Practices).[5] It also assigned new roles in the oversight of the civil service. The act created the Office of Personnel Management, the Merit Systems Protection Board (MSPB) and its Special Counsel (the Office of Special Counsel has since been made an independent agency), and the Federal Labor Relations Authority. The CSRA assigned all of these agencies, as well as the U.S. General Accounting Office, some aspect of the oversight responsibility for the integrity of the civil service.[6]

CSRA emphasized the upholding of the merit system principles and keeping the civil service free from prohibited personnel practices as the principal reasons for oversight. While CSRA stated OPM's responsibility for ensuring agency compliance with regulation and OPM standards, it required OPM to "establish and maintain an oversight program to ensure that activities under any authority delegated * * * are <u>in accordance with the merit system principles</u> * * *[emphasis added]."[7]

The law requires MSPB to "conduct special studies * * * and report to the President and Congress as to whether the public interest in a civil service <u>free of prohibited personnel practices</u> is being adequately protected [emphasis added]"[8] and to report to the President and Congress on the significant actions of OPM and provide "an analysis of whether the actions [of OPM] are <u>in accord with merit system principles and free from prohibited personnel practices</u> [emphasis added]."[9] Similarly, the principal mission of the Office of Special Counsel is to "protect employees, former employees, and

[4] 5 U.S.C. 2301(b)(1) et seq.
[5] 5 U.S.C. 2302.
[6] While the Civil Service Reform Act assigned oversight roles to the agencies which it authorized and to GAO, oversight responsibilities are also inherent in the roles of other agencies and officials, particularly agencies' inspectors general.
[7] 5 U.S.C. 1104(b)(2).
[8] 5 U.S.C. 1204(a)(3).
[9] 5 U.S.C. 1206.

applicants for employment from prohibited personnel practices"[10] and to "receive and investigate allegations of prohibited personnel practices * * *."[11]

CSRA also assigned the General Accounting Office, the congressional oversight and auditing agency, oversight responsibility to:

> conduct audits and reviews to assure compliance with the laws, rules, and regulations governing employment in the executive branch and in the competitive service and to assess the effectiveness and soundness of Federal personnel management.[12]

Further, GAO is required to report annually to Congress on the significant actions of MSPB and OPM. The report on OPM is required to include "an analysis of whether or not the actions of [OPM] are in accord with merit system principles and free from prohibited personnel practices [emphasis added]."[13]

Thus, we see that CSRA emphasized the protection of the merit system principles and the prevention of prohibited personnel practices in assigning oversight roles to the various agencies.

OPM's Evaluation Program Since CSRA

OPM's oversight role was quite different from that of CSC. The CSRA created multiple oversight agencies for the merit system in place of the old CSC and stated for the first time in the law the merit system principles to be protected and prohibited personnel practices to be prevented. However, the PME program which OPM inherited from CSC continued as its principal mechanism for oversight.

The PME organization with its personnel and methodology was absorbed intact into OPM and renamed Agency Compliance and Evaluation (ACE). The PME process initially remained much as it had been under CSC, focused on indepth, onsite reviews of specific installations and operating personnel offices, emphasizing regulatory compliance. The program of indepth reviews continued through fiscal year 1983 when a major change in the program occurred.

In 1981, OPM embarked on a reorganization with a goal of significantly reducing the agency's workforce. After reviewing the PME program, OPM decided on a less labor-intensive PME function which was focused on providing the agency's leadership with overall indicators of personnel management rather than focused on individual cases and actions.

OPM significantly changed the PME system and methodology while retaining the umbrella ACE organization. Beginning in fiscal year 1984, OPM replaced its system of detailed onsite evaluations of individual Federal installations with one which focused on offsite statistical analysis of agencies' personnel systems.[14]

According to OPM, the program revisions were designed to change the program's:

- *Orientation*, from a review of personnel management activity at individual installations to a Governmentwide review of personnel policy;
- *Emphasis*, from problem resolution and ensuring regulatory compliance at agencies and their individual installations to systemic information gathering and analysis to create a base of information to describe Governmentwide program status and trends; and
- *Methodology*, changing it from onsite, case-oriented reviews of agency components to offsite statistically-based reviews of program activity relying heavily on data bases.

Under the new system, some onsite activity continued. In most cases, this activity was restricted to "installation assessment visits" (IAV's) which were short onsite visits of 1 to 3 days for the purpose of gathering personnel management data to supplement those available from OPM's Central Personnel Data File and used for statistical analyses done at OPM headquarters. The visits were not intended to provide a detailed picture of the status of personnel management at the individual installation.

[10] 5 U.S.C. 1212(a)(1).
[11] 5 U.S.C. 1212(a)(2).
[12] 5 U.S.C. 2304(a).
[13] 5 U.S.C. 2304(b).
[14] The changes were announced through a group of OPM Operations Letters beginning with Operations Letter 273-976, Subject: Evaluation Program for Fiscal Year 1984, dated Oct. 20, 1983.

In addition to IAV's, the revised PME program included some analyses of data from various sources focused on particular program areas or processes; participation by OPM evaluation staff in some agency-led reviews of personnel management within agencies; and targeted installation reviews. Targeted installation reviews were detailed, onsite reviews, in the old style, of individual installations and personnel offices focused on compliance concerns. They were used to address a very small number of situations in which OPM perceived specific compliance problems at an installation or agency.

A major product generated from the revised PME program, was a summary statistical report called the Personnel Management Indicators Report (PMIR). The PMIR provided aggregated data from the 22 largest Federal departments and agencies on a variety of personnel programs. In addition to presenting aggregated data, the PMIR ranked the 22 agencies on a best/worst scale for a number of indices (since replaced by a rating and ranking of each agency against a "standard score"). The scales were based on OPM's determination of what was the most desirable within the range (high, low, or middle) for a given indicator.

The PMIR was intended to give the director of OPM comparative data on the personnel programs of the largest Federal agencies. OPM also intended the report to be used as a communications device with the agencies on how OPM viewed their personnel management programs. OPM sent each agency a copy of the report including the aggregate statistics and the individual agency's statistics.

The PMIR, with some modifications, has been retained through subsequent changes in the PME program. The current report measures 45 different factors related to personnel management programs within the agencies. OPM continues to view the PMIR as a major report to the agencies on how OPM views the agencies' personnel management programs.

The FY 1984 program revisions remained in place until fiscal year 1989, allowing ACE to complete its planned 5-year cycle of IAV's at every Federal installation with 100 or more employees.

OUTSIDE EVALUATION OF OPM OVERSIGHT SINCE THE CIVIL SERVICE REFORM ACT OF 1978

Since the establishment of OPM and MSPB by the Civil Service Reform Act of 1978, MSPB has reviewed the oversight efforts of OPM on several occasions in conjunction with various Board studies. Three previous MSPB reviews have been focused specifically on the personnel management evaluation process. In addition to the Board's studies, the U.S. General Accounting Office (GAO) has looked at OPM's oversight activities as part of its reviews of various civil service matters and has focused attention on the PME process on several occasions.

Typically, the studies of OPM's PME program have led to recommendations that OPM intensify this process in one way or another. The Board's findings on OPM's evaluation program are well summarized in the retrospective report on OPM's first ten years, which stated:

> MSPB has also found that OPM's approach to the overall evaluation of Federal personnel management during much of this first decade has lacked the capacity to uncover systemic problems or abuses in the larger interrelated network of Federal personnel management laws, regulations, programs, and procedures. This is troubling because, under the CSRA the emphasis on delegation and decentralization is premised on a strong OPM oversight role.[15]

Likewise, the most recent study of OPM's oversight role, which was published by the U.S. General Accounting Office in 1989, concluded:

> * * * OPM leadership activities have not greatly assisted agencies in improving their [PME] programs. OPM needs to determine the capabilities of each agency's oversight program. On the basis of these assessments, OPM should focus both its oversight and leadership activities on those agencies where the need is greatest.[16]

[15] U.S. Merit Systems Protection Board, "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," Washington, DC, June 1989, p. 21.

[16] U.S. General Accounting Office, "Greater OPM Leadership Needed to Address Critical Challenges," GAO GGD-89-19, Washington, DC, 1989, p. 80.

All of these criticisms resulted from reviews of the PME program in place prior to fiscal year 1989. Since FY 1989, a number of changes have occurred at OPM.

EVOLUTION OF THE OPM OVERSIGHT PROGRAM SINCE 1989

Establishment of OPM's Current PME Program

After five years of a PME program based almost exclusively on the analysis of aggregated data, OPM announced a revision to its program beginning in fiscal year 1989. OPM characterized the revisions as providing "greater focus on examination and resolution of identified Governmentwide and agency-level concerns."[17] The revised program initiated a new 5-year cycle of reviews of all Federal installations with 500 or more employees. From this total number of installations, about one-fifth, or about 200 installations, were included in each year's review activities. To differentiate this new cycle of visits, OPM dropped the terminology "installation assessment visit." This 1989 revision, with some significant amendments discussed below, is essentially the program which has remained in place since.

The revised program includes more emphasis on the individual installation as opposed to nearly exclusive focus on data collection for broad studies which characterized the program from fiscal years 1984-1988. Under the revised program, summary reports of findings from individual installation visits are prepared for local managements. However, the visits continue to be used to collect personnel data for larger scale studies. Under the revised program, data collected from local visits are used to contribute to three types of studies. These are:

(1) Governmentwide Reviews—These are reviews of Federal personnel program components (e.g., use of temporary hiring authorities) throughout all Federal agencies;

(2) Agency Specific Reviews—These are reviews of one or more personnel management components within a single large agency or department; and

(3) Targeted Installation Reviews—These are onsite, intense reviews of individual Federal installations, usually initiated to address significant concerns in their local personnel management programs.

Since the fiscal year 1989 revisions, the Agency Compliance and Evaluation section at OPM headquarters has designated Governmentwide and Agency Specific reviews to be carried out and has provided the OPM regions with specific agendas to be undertaken (including questionnaires) on each site visit to gather data needed for designated studies. In addition to conducting its own reviews, OPM has increased its participation in agency-led evaluations, freeing up staff time for participation in these activities.

While the program as modified in FY 1989, included more indepth evaluations during site visits, it continued to emphasize the analysis of statistical data on Federal personnel programs drawn from OPM's centralized data bases and from information gathered during site visits, including employee questionnaires. This included the continuation of the Personnel Management Indicators Report.

To improve its statistical analysis capability, OPM introduced improved computer software that allowed its evaluators to use personal computers to access personnel information from OPM's mainframe computer in Macon, GA. The software allows evaluators to identify individual personnel actions during a specified time period at a given installation. The software has helped reduce the time needed for onsite data-gathering.

In fiscal year 1991, OPM made what it called "a significant shift in our approach to onsite reviews at installations selected for coverage under a nationwide review agenda."[18] This shift involved reducing the number of Governmentwide reviews to be undertaken and the number of site visits required to provide a sample for each of these reviews. The workhours saved in Governmentwide reviews have been redirected to providing a more indepth review of each local installation visited. OPM's stated purpose in this change was "to improve the quality and impact of installation-level

[17] OPM Operations Letter 273-1022, Subject: FY 89 Agency Compliance and Evaluation Program, Oct. 27, 1988.
[18] OPM Operations letter 273-1039, Subject: OPM Installation-Level Evaluation in FY 91, Feb. 14, 1991, p. 1.

assistance and reporting."[19] The more indepth reviews included a sampling of personnel actions to ensure compliance with law and regulation.

Some additional amendments to the program have been introduced in fiscal year 1992. Among these is the "rolling Governmentwide-review agenda." The "rolling" agenda refers to Governmentwide reviews which may now be initiated at any time during the fiscal year and may extend into other fiscal years, as needed, for gathering the base information for the study. Formerly, such studies were confined to a single fiscal year, and, as a result, onsite visits by the regional staff were sometimes postponed until the Governmentwide agenda for the fiscal year had been published, causing the regions to concentrate their onsite work in certain quarters of the fiscal year. For the FY 1992 evaluation program, ACE instructions now require the regions to evenly spread site visits among quarters of the fiscal year so that a sufficient number of sites will be sampled for any rolling agendas introduced in midyear.

A more significant agenda change for FY 1992 is a reduction of Governmentwide studies to only two such reviews. This allows OPM evaluators to focus more time on local installation needs, including a more indepth look at regulatory compliance. OPM's FY 1992 evaluation agenda mandates the accomplishment of an "Installation Evaluation" (IE) at each installation scheduled for onsite review in FY 1992.

The IE is a review of the installation-level personnel management program and includes review of a sampling of specific personnel actions for legal, regulatory, and procedural adequacy. It is expected that each IE will be tailored to the human resources program concerns at the installation visited as determined by the evaluation team. OPM's regional evaluators determine the IE agenda at each installation to be visited by use of information from OPM's Central Personnel Data File, questionnaire results, advanced contact with the installation, and other information sources.

OPM's PME program, as it has evolved since 1989, treats assessment of each installation visited with increasing importance. The PME program has increased direct contact with local operating programs and has placed greater emphasis on regulatory compliance at the installation level during site visits.

Status of the Current OPM Program

OPM's obligation to oversee the civil service flows naturally from its assigned role as the Federal Government's central personnel agency. However, the law places two specific responsibilities for oversight on OPM which are carried out principally through the PME program.

As indicated earlier in this report, the law requires OPM to maintain an oversight program "to ensure that activities under any [personnel] authority delegated [to Federal agencies] are in accordance with the merit system principles and the standards established [by the Director of OPM]."[20] Further, the law states that in delegating personnel authorities to Federal agencies, OPM retains the responsibility to "prescribe regulations and to ensure compliance with civil service law, rules, and regulations."[21] These two legal obligations are carried out by OPM, in large part, through its PME program.

In addition to providing the principal means for OPM to meet its two legally mandated responsibilities for oversight, the PME program carries major responsibility for linking personnel management with agencies' mission accomplishment. This responsibility is spelled out by the "Strategic Plan for Federal Human Resources Management" which OPM published in November 1990.[22] This plan is intended, among other things, to define OPM's objectives and to state the specific efforts needed over a 3- to 5-year period to achieve these objectives.

The strategic plan speaks specifically to the personnel evaluation program, specifying as a result of the plan that:

> The personnel evaluation system serves to improve agency performance and creates a link between good personnel policy and mission accomplishment.[23]

[19] Ibid.
[20] 5 U.S.C. 1104(b)(2).
[21] 5 U.S.C. 1104(b)(3).
[22] U.S. Office of Personnel Management, Personnel Systems and Oversight Group, "Strategic Plan for Federal Human Resources Management," PSO 216, Washington, DC, November 1990.
[23] Ibid., p. 26.

Thus, in addition to its principal role in carrying out OPM's two legally stated oversight responsibilities, the PME program is assigned to be OPM's principal program for improving agency performance and creating a link between good personnel policy and mission accomplishment. This means that the PME program must focus on enhancing the effectiveness of human resources programs to meet management needs. Therefore, based on OPM's legally mandated oversight responsibilities and on the expected result articulated in OPM's strategic plan, the purposes of the current PME program may be seen as:

(1) Ensuring that personnel management is conducted in a manner consistent with the merit system principles;

(2) Ensuring legal and regulatory compliance; and

(3) Enhancing the effectiveness of agencies' personnel management programs.

OPM made two related comments with regard to our articulation of the purposes of the PME program when they reviewed our draft report. First, OPM suggested that there was an important purpose for conducting a PME program that we had not identified—that PME programs should provide feedback to OPM and agency policy makers. We agree that this is an important function that can help a well-run PME program ensure that personnel administration is being conducted in a manner consistent with the merit system principles. Second, OPM questioned the approach we used to deal with the merit system principles in our draft report. It did not understand the nature of our comments and suggestions regarding the relationship between an effective PME program and the merit system principles. Because of this, we crystallized our thinking and reinforced our awareness of the need to explore this relationship in significantly greater detail, which we intend to do in future reports. Therefore, we touch on that topic only briefly before moving on.

The merit system principles articulate the underlying values of Federal personnel management. Among other things, they state that the Nation's employees are to be treated fairly and equitably and that the Federal workforce is to be used effectively and efficiently. A PME program that seeks only to ensure compliance with personnel administration law, rule, and regulation will not reach the broader and equally important question of the effect of those laws, rules, and regulations. A comprehensive PME program must also continuously evaluate whether laws, rules, and regulations—and the manner in which those requirements are being enforced by agencies—further the goals of the merit system principles. An effective program of that type might also seek to ensure managerial awareness and support of the goals of the merit principles. In addition, such a program might regularly examine how successful agencies are in preventing prohibited personnel practices and in insulating employees against improper treatment. Since we will be examining, in future studies, how the merit system principles should be incorporated in OPM policy and operations, we focus our discussion here on the question of how well OPM's PME program is: (1) ensuring regulatory compliance; and (2) helping to improve management effectiveness.

Legal and Regulatory Compliance

Previous MSPB studies of OPM's evaluation system have questioned the adequacy of its program for ensuring regulatory compliance.[24] During the 5-year period 1984-88, OPM conducted its evaluation activities principally through offsite statistical reviews of installations and agencies supplemented by very short information-gathering, onsite visits. We found that these activities did not have components which would ensure compliance either by case-sampling at the local level or tracking particular actions systematically.

Although OPM's PME program revision of 1989 provided more opportunity for specific regulatory compliance activity during onsite visits, information gathering for Governmentwide and agencywide studies continued to be the most important part of onsite reviews by OPM. Therefore, reviews of broad samplings of individual personnel actions for regulatory compliance were necessarily limited. While a broad sampling of actions for regulatory compliance was not possible, Governmentwide studies for both FY 1989 and FY 1990 were focused on agencies' compliance with regard to several specific types of actions.

[24] See, for example: U.S. Merit Systems Protection Board, "Report on the Significant Action of the Office of Personnel Management During FY 1984-1985," Washington, DC, May 1986; and U.S. Merit Systems Protection Board, "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," Washington, DC, June 1989.

The fiscal 1989 regulatory compliance review[25] examined 9 types of personnel actions[26] at 173 installations. In OPM's study, fewer than 1 percent of actions sampled involved regulatory errors, leading OPM to conclude that there was no pattern suggesting systematic errors or regulatory violations.

Similarly, the FY 1990 review for regulatory compliance[27] reviewed five types of personnel actions[28] using a sample of actions at 181 installations. A total of only 1.5 percent of actions reviewed involved regulatory errors.

While the regulatory error rate found was higher in the 1990 report than in the 1989 report, the rates were not directly comparable, because the types of actions sampled varied between the 2 years. However, OPM did analyze actions included in both year's samples and concluded that the results in the FY 1990 report were consistent with those in the FY 1989 report.

Through its compliance studies, OPM has identified two types of personnel actions which seem error-prone. These are appointments of experts and consultants and the use of temporary hiring authorities. While most of the errors on these actions have been procedural, the findings of the compliance studies have been a major impetus for a study of the use of temporary appointments in the land management agencies.

In FY 1991, OPM scheduled only two Governmentwide reviews for the year, permitting evaluators to pay additional attention to regulatory compliance and other concerns at the individual installation level. ACE reported that during FY 1991 "over half of onsite evaluations * * * were expanded to also assess and report on specific concerns or other issues related to the installations visited."[29] Instructions to the regions from ACE on the fiscal year 1992 program require that all onsite visits for the year include a sampling of actions for legal and regulatory compliance.

The findings of OPM's Governmentwide reviews on legal and regulatory compliance and OPM's response to these demonstrate that OPM is addressing the danger of systematic errors. The requirement for compliance reviews at all installations being visited in fiscal 1992 and OPM's study of the use of temporary appointment authorities in response to the findings of its Governmentwide reviews demonstrate that it is addressing the need for better compliance monitoring.

Enhancing the Effectiveness of Agency Human Resources Programs in Improving Agency Performance

The second major responsibility that OPM has placed on its PME program flows from OPM's strategic plan for personnel management. The goal is that "the personnel evaluation system serves to improve agency performance and create[s] a link between good personnel policy and mission accomplishment."[30]

The "evaluation system" here includes personnel management evaluation activities by OPM, by Federal departments and agencies, and by individual installations. To attain its goal, OPM must focus on two undertakings: its own direct evaluative activities—principally its PME program of site visits and specifically designated studies; and its activities to motivate agencies to improve their evaluation programs and link them to mission accomplishment.

[25] Personnel Systems and Oversight Group, "Agency Compliance with Regulatory and OPM Requirements in Using Certain Personnel Authorities," OPM GWR 90-1, U.S. Office of Personnel Management, Washington, DC, March 1990.

[26] These were: merit promotions under 5 CFR Part 335; nonregister appointments to career and career conditional under 5 CFR 315.401 et seq.; temporary appointments in the competitive service under 5 CFR 316.402 and outside-the-register authorities of FPM Chapter 316; details beyond 120 days under FPM Chapter 300; appointment of professional and administrative career (PAC) employees under Schedule B and their conversion to career or career-conditional under 5 CFR 315.710; superior qualifications appointments under 5 CFR 315.710; modification of qualifications standards for inservice placement under FPM Letter 338-11; extension of 1-month limited appointments under FPM Chapter 316; and appointment of experts or consultants under FPM Chapter 304.

[27] Personnel Systems and Oversight Group, "Agency Compliance with Law, Rule, and Regulation in Using Certain Personnel Authorities," OPM GWR 91-1, U.S. Office of Personnel Management, Washington, DC, July 1991.

[28] These authorities were: temporary appointments outside the register; expert and consultant appointments; Schedule B appointments to GS-5/7 professional and administrative career positions and conversion to the competitive service from same; permanent promotions; and temporary promotions.

[29] Memorandum to Regional Directors/Evaluation Chief from Michael D. Clogston, Assistant Director for Agency Compliance and Evaluation, Subject: OPM Installation-Level Evaluation in FY 92, Nov. 7, 1991.

[30] Ibid., p. 26.

Enhancing Management Effectiveness Through Direct Evaluative Activity

Within its own evaluation program, OPM employs several techniques which engage line management directly, including questionnaires to employees and onsite interviews with managers. The use of a customized "Installation Evaluation" (IE) agenda at each installation allows OPM to respond to specific needs and concerns expressed by managers at a particular installation as well as OPM's own concerns. To emphasize line management responsibility, results of evaluations are presented in briefings to installation heads at the end of OPM site visits. These findings are then condensed into summary reports with recommendations which are directed to the heads of the installations evaluated (rather than to someone at a higher agency level or to the operating personnel office), to emphasize OPM concern with line management's involvement in human resources management systems.

It should be noted that while OPM's directing of results to installation heads emphasizes involvement by line management at the installation level, it cannot assure it. Our trip to the OPM regional office in San Francisco revealed the difficulties with involving agency line management in the PME process. As part of our trip, we visited a Social Security Administration Center which OPM had recently evaluated. Our interview with the head of the installation revealed that he felt very little ownership of the report he received from OPM.

The report had been directed to him, but he sent it on to his personnel office without significant review or coordination, because he essentially viewed it as an evaluation of the personnel office. This can be attributed to the organizational alignment of that operating personnel office. The onsite personnel office at the center was a satellite of the Department of Health and Human Services (HHS) regional personnel office. The personnel officer onsite reported to the regional personnel officer, not to the installation head.

HHS is an example of a department where the operating personnel offices are isolated organizationally from the line management whom they are intended to serve. The organization of HHS is such that the personnel officers do not report to the line managers they support at any level, but report through the Department's central hierarchy in Washington.

How this internal organization emphasizes line management's lack of control or "ownership" of the personnel management program was dramatically confirmed by an event at the Social Security Center which occurred just prior to our visit. The head of the installation told us that, just before our site visit, a decision had been made to close the onsite personnel office, and that he had not been consulted beforehand on that decision.

This anecdote serves as an example of the structural difficulties within agencies that make OPM's goal of linking good personnel policy (and support) to mission accomplishment difficult. It also highlights the importance of agency initiatives to overcome such difficulties which are outside OPM's control.

OPM can't force line management to take a direct interest in the operation and evaluation of agencies' human resources programs. Therefore, OPM must utilize all the available channels to communicate to the agencies the importance of integrating and using the human resources program to enhance an agency's mission. OPM's own PME activities provide one means of communicating the importance of management utilization of the human resources program through such means as the onsite meetings that evaluators hold with managers and personnelists, and through the feedback provided by report recommendations following onsite reviews. However, communication of the importance of human resources management through OPM's direct evaluative efforts is only part of the overall evaluation system which the strategic plan envisions for the Federal Government.

While OPM uses a number of techniques in its own program to communicate the importance of using human resources management to enhance agency mission, much of the "evaluation system" consists of the personnel evaluation program carried out by each department or agency. OPM's influence over these programs is principally through leadership and communication with agencies.

OPM Activities to Motivate Agency PME Programs' Enhancement of Management Effectiveness

In order to most effectively promote the accomplishment of agency and installation missions, human resources management systems and practices must be adapted to

meet local conditions and needs. This has been recognized through increased delegation and decentralization in the Federal Government to allow greater flexibility in using personnel management authorities to meet local needs. In this environment, the personnel management evaluation efforts of the agencies and of specific installations become more important because of the greater control exercised at these levels. Because OPM has less direct control over the exercise of personnel management authorities in individual cases, its role becomes one of providing effective leadership.

The importance of OPM's leadership was recognized in a recent GAO report on OPM. It was titled "Greater OPM Leadership Needed to Address Critical Challenges."[31] It is notable that GAO recognized OPM's leadership as a key element to its success. Likewise, in MSPB's last review of the PME program, we pointed out that OPM's oversight and compliance activities were "a necessary part of OPM's ability to fulfill its leadership role."[32]

The essence of the concept of leadership is that the leaders know where they are going and can convince those being led that it is to their advantage to follow. OPM's strategic plan provides the direction in which OPM wants to go. In the case of the PME program, OPM wants:

- Agency personnelists [to] perceive the personnel evaluation program as something that helps agency performance.
- Agency management [to implement] an increasing number of recommendations from the personnel evaluation program.
- Agency management [to perceive] the personnel evaluation function to be increasingly important vis-a-vis mission accomplishment.
- Agency management [to have] an increasingly positive view of the role of human resources management in mission accomplishment.[33]

It is notable that three of these four PME objectives are aimed at changing the perception or view of the process held by agency managers and personnelists. Clearly, OPM sees agency management's acceptance of the PME program and the perception of managers that the program is helpful to them as the key to the success of the program.

Having established where it wishes to lead, OPM must now convince the agencies to follow. The way the PME program is communicated to the departments and agencies and to whom it is communicated must be a major concern in determining how effective OPM is in generating a positive perception of the program.

At the current time, communication on the PME program comes in the form of formal program requirements and guidance transmitted by OPM to the personnel directorates of the agencies; through formal liaisons with agencies' PME program coordinators; and through information, analysis, and recommendations contained in agency-specific studies, the Personnel Management Indicators Report, and reports on installation evaluations. Let us consider each of these in turn.

OPM Leadership and Communication Through Formal Guidance

The provision of program guidance by OPM headquarters to the agencies comes in the form of formal written guidelines. The PME program is discussed in chapter 273 of the Federal Personnel Manual, and additional guidance for the operation of personnel offices and the consequent need to evaluate personnel operations is contained in FPM chapter 250.

The current FPM chapter 273 was published in 1986 and describes the program which OPM subsequently modified in 1989. Subchapter 3 of this chapter addresses agency PME's. The subchapter (which OPM is revising) is only one page and points to the 1969 Presidential Memorandum requiring PME programs in the agencies. It further specifies only that "OPM policy strongly supports active personnel management evaluation * * *" and "OPM also encourages agencies to include onsite reviews as part of their evaluation strategies * * *."[34] Although OPM has a project to revise this chapter, it has not proceeded beyond the draft stage.

[31] U.S. General Accounting Office, "Greater OPM Leadership Needed to Address Critical Challenges," GAO GGD-89-19, Washington, DC, January 1989.

[32] U.S. Merit Systems Protection Board, "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," Washington, DC, June 1989, p. 14.

[33] From p. 26 of the document cited in footnote 25.

[34] Federal Personnel Manual, chapter 273, para. 3-2.

ACE has added two publications to the guidance which it sends to agencies. These are a Clearinghouse Catalog[35] and a Digest of Exemplary Personnel Practices.[36] The former is a listing of various evaluation materials (such as program guides and questionnaires) which have been developed by various Federal agencies and may be used by others in evaluation activities. The latter is a listing of personnel systems, techniques, and procedures used by various agencies and installations to address problems in personnel management.

The two additional publications represent a recent innovation at OPM and are an excellent source for agencies seeking methods for improving their evaluation program and other aspects of their human resources programs. The practices and resource materials listed allow agencies access to guidance without the sense of being forced to use a single methodology.

OPM Leadership and Communication Through Agency Liaison Activities

Liaison with agencies is carried out through two principal channels: the Interagency Advisory Group (IAG) subcommittee on personnel management evaluation, and a staff of liaison officers within ACE and the OPM regional offices who are assigned to regularly contact their counterparts at the agency level.

The membership of the IAG subcommittee includes the agency official (usually someone in an agency's personnel directorate) who is responsible for the PME program. The subcommittee has been very inactive over the past few years. Officials at ACE told us that the meetings of the full subcommittee are little use in providing two-way communications. While this may be true, meetings of the full subcommittee give agency officials a sense of participation in the development and execution of policy. Task forces from this subcommittee can be used to great advantage to increase the feedback to OPM on a variety of policies and procedures. Certainly, the IAG subcommittee is an instrument which could be used to greater advantage in OPM's efforts to improve the effectiveness of PME programs throughout the Government.

OPM utilizes a staff of liaison officers in ACE to maintain contact with the headquarters of agencies and to informally assess the status of the agencies' PME programs. At the regional level, each OPM region maintains contact with the agencies within its region, providing the same liaison services as ACE provides at the headquarters level.

In addition, OPM maintains contact with the other Federal departments and agencies by participating in agencies' evaluation activities. Staff from ACE and from OPM's regional operations participate in many agency-led onsite evaluations at installations. Such participation provides OPM a means of seeing first hand the approach and attitude of each agency, and facilitates information exchange between OPM and the agencies.

OPM participation in agency-led evaluations provides a number of avenues of both formal and informal communication. In addition to these avenues of communication, OPM uses its participation with and contact with agencies as an opportunity to gather data on the structure and quality of agency PME programs. As part of their participation in agency-led visits, OPM evaluators must complete a lengthy form which collects numerous data on the agency's PME agenda and the agency's evaluators. The completed forms are forwarded to ACE in Washington to become part of a data base. An analysis of these data could prove to be an effective tool for communicating OPM expectations on the structure and quality of agency PME programs. However, ACE has not completed an analysis of these data nor determined how they are to be used to pursue the goals of the strategic plan. ACE should analyze these data and use them to communicate its view of each agency's PME program.

ACE may wish to combine its analysis of the quality of agencies' onsite agenda and its evaluation personnel with the larger ACE project to categorize the status of each department's and independent agency's PME program. OPM has distributed questionnaires to the agencies asking a series of questions on the extent of their PME programs. This will, hopefully, form a basis for the systematic categorization of each agency's program. For ACE, a systematic categorization would provide a better understanding of the overall pattern of personnel evaluation activity within the Federal community and would identify agencies whose perception of and use of PME need improvement.

It should be noted that GAO is also conducting a study in which they are surveying the personnel management evaluation programs of Federal agencies as a follow up

[35] Agency Compliance and Evaluation, "Clearinghouse Catalog, Second Edition," U.S. Office of Personnel Management, Washington, DC, March 1992.

[36] Agency Compliance and Evaluation, "Digest of Exemplary Personnel Practices," OPM EX-91-1, U.S. Office of Personnel Management, Washington, DC, July 1991.

to their 1989 report on OPM leadership. This GAO study is intended to gauge the influence which OPM's leadership has on agency PME programs.

OPM's regions also have the flexibility to enhance communications within their own regions using techniques of their own. For example, for purposes of this study, we visited OPM's San Francisco region to learn about an innovation which had come to our attention. The San Francisco region had set up and conducted an evaluation "State of the Art" seminar. This seminar was attended by agency representatives from throughout the Western United States and featured discussions of how the evaluation process can be used more effectively. The success of this seminar has prompted ACE to plan such a seminar on a nationwide basis to encourage innovation in evaluations which is tentatively scheduled for May 1993.

The San Francisco region had also developed a newsletter featuring discussions of issues pertinent to the evaluation program and other human resources issues. This newsletter is distributed to operating personnel offices within the region and allows for ongoing communication about PME programs. This continuity is particularly desirable since the typical Federal installation can expect to undergo an OPM evaluation only once each five years.

OPM Leadership and Communication Through Formal Reports

The reports that OPM provides to agencies and to individual installations from agencywide studies and individual installation visits communicate OPM recommendations for agencies to improve their human resources programs. In addition to reports provided in connection with individual installation visits and the agency-specific studies which OPM has undertaken, ACE continues to produce the Personnel Management Indicators Report.

As previously described, the PMIR was initially generated as part of OPM's 1984 PME program revisions. It is intended to show how the 22 largest departments and agencies compare in terms of a variety of statistical indicators such as average general schedule grade, distributions of performance ratings, and the number of employees served by each person in the personnel management occupations. Officials in OPM's Agency Compliance and Evaluation office consider this report a major communications device with the Federal agencies' managements and a means of motivating these agencies to improve their personnel management operations.

As part of our study of the PME system, we conducted group sessions with the heads of personnel management evaluation for 18 of the largest departments and agencies. We discussed their views of the effectiveness of the liaison with Agency Compliance and Evaluation. These officials were generally positive about their contacts with the agency analysts at OPM, finding that they do maintain contact and provide useful information.

However, agency PME officials held very negative views of the Personnel Management Indicators Report. These officials were unanimous in their opinion that the report was of limited or no use. The most positive opinion expressed was that the PMIR is better than no feedback. The officials felt that the ranking of agencies on each indicator of the report unfairly stigmatizes agencies. Further, these officials questioned how OPM determined what was most desirable on each indicator. For example, OPM assumes that the lowest possible average grade is the most desirable, that the fewest number of employees in the personnel occupation for the number of employees served is most desirable, and that the highest number of employees per thousand separated for cause is desirable.

The PME officials feel that the indicators do not accurately reflect the quality of their agencies' personnel management programs. For example, a very low (and, thus, on OPM's scale a most desirable) number of personnel employees for the number of employees served indicates that an agency uses very few employees in personnel, but it does not reflect whether or not the personnel offices are providing high-quality service.

Further, the way in which scores for indicators are expressed in the PMIR is potentially confusing. OPM reports to each agency its "raw" value (the number of separations per thousand employees, for example) for that agency and a "standard score." This is the way OPM explains its standard score in its PMIR transmittal to each agency:

> The standard score is used to rate and rank various items that do not have common measures. The standard score is calculated by dividing the difference between each individual agency's raw value for a given item and the average of agencies' raw value for that item by

the standard deviation for these values * * *. [The] model also shows the highest and lowest standard score for each item [and each indicator is coded to] specify the desired value (Low, High, or Middle) for each indicator * * *.[37]

As may be seen by OPM's explanation, the significance of the scores is obscure. The agency heads of PME indicated that the PMIR does not provide them a basis for explaining the program in terms which appeal to managers, nor does it provide them a basis for arguing changes in personnel programs to strengthen PME or to sell the program to managers.

TABLE 1

QUESTION ASKED OF SUPERVISORS AND PERSONNELISTS ON OPM SURVEY OF FEDERAL EMPLOYEES 1992 *

In your opinion, how does the personnel management evaluation (PME) program in your agency contribute to agency functioning? (Mark as many as apply)

	PERCENTAGE OF RESPONDENTS ANSWERING AFFIRMATIVELY
Helps agency performance	16
Has little effect on agency performance	26
Provides recommendations that are implemented by management	12
Provides recommendations that are not implemented by management	7
Feeds into human resource planning	9
Assures that personnel support is provided in a manner consistent with law, rule, regulation and OPM guidance	17
Assists agencies in operating efficient and cost effective personnel programs	8
Develops information for use in personnel program refinement and policy development	10
Program does not exist in my agency	3
I was not aware of such a program	53

* Office of Personnel Management, "Survey of Federal Employees," Washington, DC, May 1992, p. 56.

[37] "Personnel Management Indicators Report, Explanation of Spreadsheet and Glossary of Terms" for fiscal year 1988.

This concern is a particularly negative reflection on the PMIR given OPM's strategic plan goal that managers perceive the PME process as an important contributor to mission accomplishment. Moreover, the opinions of the agency PME officials are in sharp contrast with the opinion of ACE, which sees the PMIR report as a very valuable asset to the agencies.

The sharp difference in perception of the PMIR between the agency heads of PME and ACE suggests that on a broader level, OPM needs to improve the way in which it receives and processes feedback from agencies on their needs. If OPM's strategic goal of increasing the perception of PME as a valuable management program is to be achieved, it must make more effective use of current channels of communications with agencies. Further, OPM needs to develop additional lines of communication with line management.

The attainment of the goals which OPM has set for the PME program requires positive communication with both personnelists and managers to convince them of the importance of the PME process to accomplishing their mission. As can be seen by the description of the OPM communication process, OPM needs to do more to effectively use the channels of communication it has already established, and it needs to develop new channels of communication outside of personnel staffs to line management at several levels. The ultimate goal of such communication is to find out what the agencies need and to meet these needs within the PME program.

As we note in our discussion of initiatives in the San Francisco region, there is evidence of some increased communication by OPM. However, more communication to engage line management and sell the utility of PME to meet management goals is needed. Further, when agencies communicate their needs, OPM then must take substantive actions to adjust the PME process to better serve those needs.

Managers' and personnelists' knowledge of and confidence in PME systems is reflected in OPM's recent large-scale survey of Federal employees. As shown in figure 1, the survey asked managers and personnelists responding to the survey how PME programs in their agencies contribute to agency functioning.

That 53 percent of respondents indicated that they were not aware of a PME program in their agencies, and the next highest percentage of respondents, 26 percent, said that the PME program has little effect on agency performance, shows how far OPM has to go to reach agency managers and personnelists to convince them of the value of the PME program.

Given the goals stated in OPM's strategic plan, OPM must focus on breaking down the isolation in which the PME process is carried out. OPM needs to do more to actively ask line management in agencies what they really need and want in human resources support. At the same time, OPM should emphasize agencies' obligation to ensure legal and regulatory compliance by their managers in carrying out their delegated personnel management authorities.

The Office of Personnel Management, and Agency Compliance and Evaluation in particular, needs to devise additional means to attract line management attention to and involvement in improving the PME program and thus, the personnel management program. Three different initiatives suggest themselves: (1) Update formal guidance to agencies; (2) improve the dissemination of information; and (3) develop a personnel management evaluation program to be carried out jointly with a large Federal agency to serve as a model to be exported to other Federal agencies.

INITIATIVES NEEDED TO ATTAIN STRATEGIC GOALS FOR PME

Updating Formal Guidance

The guidance for PME programs in the Federal Personnel Manual is out of date and needs to be revised. ACE is drafting updated sections for publication, but at the moment, the material is in an early draft stage. The updates should emphasize the minimum standards which OPM expects in an agency PME program, with particular emphasis on engaging line management in the process.

Improving Dissemination of Information

OPM needs to improve dissemination of information on its personnel management evaluation program. While the FPM chapters are available to employees in personnel operating and policy organizations, these guides are not usually disseminated beyond personnel organizations. Likewise, the OPM reports from Governmentwide and agency-specific studies have a limited distribution, mostly within the specialized personnel community.

ACE needs to identify potential customers for its publications within the line organizations of agencies and distribute studies, exemplary practices, and clearinghouse materials to them as they are published. Such an effort would be particularly fruitful at this time when many quality management initiatives are underway within the Government, and agencies are looking for practices which they can import to address systemic problems identified by these initiatives.

Further, ACE needs to discontinue its principal statistical product issued to agencies, the Personnel Management Indicators Report. While ACE may wish to maintain the current PMIR for its own internal purposes, the current report is not meeting the needs of OPM's customers in the agencies. Since OPM's strategic goal is to have the PME program be perceived as assisting management in meeting its goals, then clearly any statistical products produced for the agencies must meet the needs of the agencies' managers.

OPM needs to determine, in consultation with agency personnelists and line managers, what, if any, statistical reports are desired to meet agency needs. The consultation process would also be an opportunity to engage key line management officials in the PME process.

Creating A Model Program

In any organization, a fully effective evaluation program seeks to create an ongoing process of improvement. Ultimately, it seeks to change the organization's culture—the core values and assumptions upon which an organization operates. As can be seen from the history section of this report, the history of the PME process has been one of focusing on legal and regulatory compliance using case-sampling techniques, then more recently on collecting and analyzing aggregated data from the agencies, and more recently still on both approaches.

When OPM wrote its strategic plan, it focused on how OPM wished the PME program throughout the Government to be perceived by those for whom it should serve as a valuable tool for enhancing mission accomplishment. In essence, it wishes to change the place of human resources management in the organizational culture.

Attempts have been made by the old CSC and by OPM—for the past 20 years, at least—to change the PME program throughout the Government from a process which is viewed as an outside intrusion into the organizational culture of agencies and installations to a process which is seen as an integral part of and contributor to that culture.

In the Civil Service Commission's PME program guidance published in 1972, the original (1947) focus of the PME process was described as follows:

> [PME's] initial focus was to insure that in delegating central authority, agencies did not abdicate responsibility. * * * This early approach had the implied threat of the report card, with all the built-in defensiveness that goes with it—the idea that it was a kind of performance evaluation of the personnel officer * * * was prevalent.[38]

According to this same guidance, by 1972 CSC had changed the emphasis in the program to:

> * * * motivate managers to take the steps necessary to improve personnel management in their agencies. [PME changed from] narrow personnel administration to an evaluation of personnel management where it really happens—in the line activity.[39]

Although the PME program supposedly was redirected toward line management 20 years ago, OPM, by its strategic plan, indicates that it is still trying to convince managers to make PME an integral part of management today.

If OPM wishes agency managers to make PME an integral part of management, a change in organizational culture in each agency is needed. In order to do this, OPM must focus on each department or agency individually and over a long period of time. Further, any cultural change within a department or agency must involve line management from the outset to succeed.

To begin the process of cultural change, OPM should consider developing a model PME program in cooperation with a single Federal agency.[40] Such a program would focus on management concerns and

[38] Federal Personnel Manual, Supplement (Internal) 273-73, Book I, paragraph S1-4b, September 1972.

[39] Ibid.

[40] We are grateful to Paul Lorentzen, D.P.A., Washington Public Affairs Center of the University of Southern California, for his contributions to this section.

would attempt to integrate addressing these concerns with the necessary regulatory and merit system compliance oversight required of OPM by law. Such a model program would use onsite evaluations as its principal instrument. These evaluations would be conducted by a team composed of OPM representatives, personnel experts from the agency (drawn from other operating components and from personnel policy staffs), and line officials with expertise in the principal mission of the installations being evaluated (e.g., registered nurses for a hospital, engineers for a materiels lab).

A model would require some time to develop and to adjust to the needs of the management of the agency. However, once fully developed, the model process could then be "exported" into another agency. That step would be facilitated with help from OPM experts, and possibly ones from the first agency, who could assist in adapting the model to the new agency's culture and could provide an example of the success of the model program.

What is important in developing and executing a model program is to involve line managers and operating personnel officials at the lowest possible level of the organization. Unless these people are brought in as partners in the process, they will see the model PME program as the typical program imposed from on high.

OPM notes in its comments on our draft report that it is "exploring with a small group of DOD [Department of Defense] agencies the possibility of developing a model PME program for use by DOD components as part of the Department's consolidation efforts." We think that DOD's consolidation efforts offer an excellent opportunity for a model program, and we hope that the explorations are fruitful.

The success of such a model program would be in the greater effectiveness of line programs rather than in any directly measurable increase in the efficiency of personnel operations. Thus, the emphasis of a model evaluation program would be to assist the installation being evaluated rather than to apply rigid standards to operational structures. While there would be a use for statistics within the program, statistics would not fully measure the success of the model program.

The fact that OPM's strategic goals for the PME program deal with the perception of agency managers and personnelists is an indicator of the problem in setting up a model evaluation program. It would be difficult to measure its success against the standards which have traditionally been used. For example, changes in the average grade in an organization or in how its average grade compares to that of another organization would not measure management effectiveness. In fact, much of the increased effectiveness of management systems cannot be measured directly. This is so because the impact of improved systems is diffuse and related to attitude and organizational culture.

The fact that improvements in organizational culture and their effects frequently cannot be directly measured does not mean that a model program should not contain measures. One of the ways in which PME programs can be integrated into an organization's culture is through the development of human resources management measurements as part of agencies' internal management controls. Internal management controls within Federal agencies are required by law and Office of Management and Budget policy.[41] While most of these controls are currently focused on financial and accounting procedures, there is no reason that agencies could not also incorporate human resources measures into their internal control systems. Placement of human resources measures within the internal control system would provide an opportunity to involve managers in determining what they expect from their human resources systems and what measures and controls they need to meet those expectations. This would serve to emphasize the responsibility of managers for the human resources management activities within their organizations.

UTILIZING ADDITIONAL EXPERTISE FOR PME AT OPM

While not all of the activities which constitute oversight at OPM are carried out through the PME program, the PME program remains the principal instrument of OPM oversight. In addition, OPM has assigned the personnel evaluation system major responsibility for reaching the goals of its strategic plan. This places a major strain on the expertise available in the Agency Compliance and Evaluation Office which runs the PME program.

[41] The Federal Managers' Financial Integrity Act of 1982, Public Law 97-225; and OMB Circular A-123, Aug. 4, 1986.

Further, OPM is contemplating assigning two additional specific oversight programs—the auditing activities associated with oversight of delegated examining and of the SES program—to ACE.

A wide variety of specialized skills will be needed to develop the long-term programs and systems needed to create a personnel evaluation system that "serves to improve agency performance and create a link between good personnel policy and mission accomplishment."[42] OPM should consider bringing additional expertise into the design of future initiatives. Certainly, they should involve agency managers and PME officials in any such initiatives. In addition, other OPM offices possess expertise which could be brought to bear on the problem of creating a stronger link between PME and agency performance. For example, within the Personnel Systems and Oversight Group at OPM, there is an Office of Systems Innovation and Simplification which is charged with doing research into improved personnel systems, and within the Career Entry Group, there is an Office of Personnel Research and Development. These offices and others at OPM could contribute to building the effective personnel evaluation system called for in the strategic plan.

[42] "Strategic Plan for Federal Human Resources Management," p. 26.

Conclusions and Recommendations

We have identified three purposes for the PME program. Of these three purposes, we focus our discussion and analysis on the two more concrete purposes: ensuring compliance with law and regulation; and enhancing the effectiveness of agencies' human resources programs in improving agency performance. The personnel management evaluation program at OPM has made some improvements in addressing legal and regulatory compliance since its last major change in 1989. As of fiscal year 1992, each site visit in the PME program includes a regulatory review sample. Such a regulatory sampling is essential to OPM's legally mandated oversight role, and it should continue.

In each fiscal year since 1989, OPM has carried out a Governmentwide review of agency compliance with selected civil service authorities. Further, Agency Compliance and Evaluation is taking additional steps to study those actions where systematic compliance problems are identified. ACE has issued a report of its study of the use of temporary employees in the land management agencies.[43] This study was undertaken as a result of troublesome patterns found when OPM evaluated the use of temporary appointment authorities. Based on the current program, we conclude that OPM's own evaluations are probably doing all that can reasonably be expected in terms of ensuring compliance with specific regulations and standards.

The other focus of our analysis—PME's enhancing agencies' human resources management programs to meet management needs—presents a number of challenges to OPM. To more effectively address this purpose, assigned to the PME program in its strategic plan, OPM must undertake a number of initiatives. In doing this, OPM needs to communicate with and lead the agencies more effectively in providing innovation in human resources management.

OPM needs to update and improve its written guidance to agencies to emphasize effective, management-oriented evaluation activities. OPM also needs to better analyze the status of PME programs within agencies and make recommendations to agency heads to ensure that those agencies' PME programs meet OPM standards and fulfill the agencies' role in human resources improvement, regulatory compliance, and merit system integrity.

Since OPM's strategic plan places great emphasis on how well the PME program is perceived by agency managers as enhancing mission accomplishment, OPM needs to actively seek out line management officials' opinions, to identify their concerns, and to address those concerns through the evaluation process. Specifically, our study identified the need to consult with managers in the Federal agencies to determine what, if any, OPM statistical products are needed by the agencies. The current Personnel Management Indicators Report, which OPM has seen as a major communications device, is not regarded as helpful and should be discontinued as an automatic report to the large agencies. While the PMIR may have internal usefulness to OPM, its reported usefulness to the agencies is negligible.

In response to this finding, OPM emphasized that it does not "consider the PMIR a major evaluation tool per se" but rather, "a starting point for further analysis." Further, OPM points out that it is "maintaining [the PMIR] at a cost of only .9 FTE [work years]," and OPM noted that it would work with agencies to "explore whether additional statistical reports would be useful; and ensure that the intent of the PMIR and its appropriate uses are well understood."

We think that this would be a useful course of action for OPM as part of a general reexamination of the PMIR. A goal of that review, moreover, should be a determination of the actual need and utility of PMIR reports to the agencies. Future transmission to agencies of the PMIR in its current form or any substitute reports should be tied to that determination. Independently, of course, OPM may wish to retain any aspects of the PMIR that it finds useful for its own Governmentwide policy and program planning and evaluation.

[43] Personnel Systems and Oversight Group, "Temporary Employment Within Land Management Agencies of the Federal Government," U.S. Office of Personnel Management, Washington, DC, July 1992.

Finally, the breadth of expertise that OPM devotes to the development of more effective personnel evaluation systems and programs needs to be increased. If the PME program is to effectively reach the goals assigned to it through OPM's strategic plan, then OPM must devote significant resources to the development of an enhanced PME program. OPM should tap into additional organizations and their expertise, both within and outside OPM, in developing the enhanced systems needed.

Based on our analysis and conclusions, our recommendations to OPM may be summarized as follows:

- OPM should issue revisions of the Federal Personnel Manual chapters on the evaluation process as soon as possible to improve coordination of OPM and agency efforts and to clarify agency obligations under this program.

- OPM should identify those line managers and staff officials whose support of the PME process is needed and ensure that those identified receive PME publications such as the clearinghouse materials.

- OPM should strengthen lines of communication with agencies' PME staffs and with agency managers to improve its support of agency PME programs and to better serve the needs of agency managers.

- OPM should emphasize "evaluating the evaluators" to identify aspects of agencies' PME programs which are less than adequate. Program deficiencies identified should be brought to the attention of the subject agencies and corrective measures specified to the agencies.

- In developing enhancements to their existing personnel management evaluation systems and techniques, OPM should make use of the broad range of experience and expertise within all relevant program offices internally, and, externally, it should involve agency managers and PME officials in its improvement efforts.

- OPM should consider a joint venture with a large department or agency to develop and conduct a model PME program within that agency. The program would provide a means of training evaluators and serve as a model to other departments and agencies. As part of the model, OPM and any participating agencies should seek to develop better indicators of personnel management effectiveness. Such indicators should be able to reinforce the link between mission accomplishment and various personnel management practices, policies, or procedures.

- OPM should seek formal recognition of the personnel management evaluation program as an element of each agency's mandated internal management control system. This should serve to highlight the importance of the evaluation program and also provide impetus to efforts to improve the program's utility and relevance to management.

- OPM should discontinue preparation of the Personnel Management Indicators Report for distribution to the agencies. A task force of agency evaluation officials and representative line officials should be formed to determine if any statistical reports to replace the PMIR are needed and, if so, what their contents should be.

Appendix

United States
Office of
Personnel Management Washington, D.C. 20415

August 11, 1992

In Reply Refer To: Your Reference:

Evangeline W. Swift
Director
Office of Policy and Evaluation
Merit Systems Protection Board
Washington, DC 20419

Dear Ms. Swift:

This is in response to your July 7, 1992, letter transmitting MSPB's draft report on OPM's personnel management evaluation (PME) system for our review. I want to thank you for emphasizing the improvements in the program and pointing out steps you believe we can take to strengthen the program and broaden its support.

Generally, we find the report to be positive and supportive of our efforts to balance the three primary goals of the program:

- to improve the quality of personnel management in Government;
- to assure adherence to civil service laws, rules, regulations and requirements; and
- to provide important feedback to OPM and agency personnel policy makers.

The above goals are not mutually exclusive but do change in emphasis from year to year, as conflicting forces and events are brought to bear on them and alterations must be made, all within static or even diminishing resources both in OPM and the agencies. The fairly substantial portion of your draft report devoted to historical changes and developments in the program is in the main accurate, but we are not convinced it fully reflects the difficulty in achieving constant program balance within resource constraints and changing priorities. For example, you note that some substantial structural changes were made in 1989 which improved considerably our ability to oversee compliance with civil service requirements. The renewed emphasis on compliance was partly in response to criticism from MSPB and GAO and while we are pleased with your finding that OPM's evaluations "are probably doing all that can reasonably be expected in terms of ensuring compliance with specific regulations and standards," there is no question that those efforts required resources that could also have been used to good purpose elsewhere.

CON 114-24-3
June 1986

To further illustrate the point, we should note that the demands on the evaluation program have changed even since you began your review a year ago. We have called upon ACE to provide useful information to OPM policy makers in such areas as family life initiatives, health care occupational studies and evaluation of the Federal Employees Pay Comparability Act (FEPCA). Further, more resources have been expended lately providing technical assistance to agencies at their request. ACE was also asked to conduct a major internal management review. The point is that while all of these activities are proper and necessary, they require a constant rebalancing of resources and program objectives.

Notwithstanding the above, we believe your draft report offers up some very thoughtful and useful recommendations, particularly in the area of PME leadership efforts--to improve agency internal PME programs and to provide a linkage between PME and management efforts towards more effective mission accomplishment. Of course, our agency analyst network is critical to this effort. In this connection we were pleased that the heads of PME in 18 of the largest departments and agencies reported to you that they "were generally positive about their contacts with the agency analysts at OPM, finding that they do maintain contact and provide useful information."

Let us turn now to the recommendations contained in the Executive Summary in the draft report:

1. The Personnel Management Indicators Report (PMIR). The draft report recommends OPM discontinue its use as a periodic report to agencies.

   The PMIR provides aggregated data from the 22 largest Federal departments and agencies on a variety of personnel programs, represented by 45 different indicators in three major areas: classification and position management, staffing, and performance management. It is intended to give the Director of OPM Governmentwide data on these factors and comparative data on agencies' ranking on the factors. Each year it is sent to heads of agencies from the OPM Director.

   The MSPB draft report contains some misconceptions about the PMIR which need discussion before we address the specific recommendation. OPM expended considerable resources for about a year in developing the PMIR. Over the past eight years we have been maintaining it at a cost of only .9 FTE. Further, agencies are given

the data on Governmentwide norms and their own ranking against these norms. They do not see (as OPM does) how they rank against specific other agencies. In response to agency complaints in the first two years of the PMIR we stopped furnishing agencies with their rankings against others.

We do not consider the PMIR a major evaluation tool per se. It is intended simply as a starting point for further analysis. If finer organizational break-outs of the data would be more useful, we can easily provide them on request. We would also welcome any suggestions for improvements in our methodology. We recognize that agencies have very diverse missions and workforces and that an agency's standing relative to Governmentwide norms should not be dispositive in assessing the agency's performance. We do not accept the premise, however, that each agency is so unique that there is nothing to be gained from comparing its data with Governmentwide norms. There are often very good reasons for deviation from Governmentwide norms, but identifying these reasons promotes greater understanding of the agency's culture and performance and supports a sense of accountability.

In response to your recommendation, we plan to take several steps with regard to the PMIR. Working with agencies, we will:

- explore whether additional statistical reports would be useful; and

- ensure that the intent of the PMIR and its appropriate uses are well understood and communicated.

2. OPM needs to exercise leadership in providing a linkage between PME and federal managers' efforts towards mission accomplishment. OPM needs to do this by:

- **increasing its efforts to evaluate agency PME programs, providing more feedback and, as needed, assistance to agencies in need of improvement;**

  We absolutely agree with the above and will continue to try to increase our activity in this area.

- **revising the Federal Personnel Manual chapters on PME;**

We agree. Some questions as to our legal authority to regulate and require agencies to establish PME programs have recently been resolved. We will move ahead in this area. We must recognize that our guidance will be contingent on agency input and reflect in part the results of PME program development work with them, as discussed elsewhere in your report and our response.

- **obtaining greater involvement by line managers outside the personnel function in future efforts to improve the approach to PME;**

  We agree. The draft report partially recognizes some efforts we have already begun on this matter. We distribute questionnaires to managers in advance of all Installation Evaluations in an attempt to elicit from them what problems, if any, they are experiencing which can be examined and perhaps alleviated through our PME efforts; focus groups are held routinely with managers onsite to further this effort.

  The major leadership conference to be held in May 1993, and jointly sponsored with MSPB and GAO, has as one of its major themes the linkage between agency management and PME.

- **joining with another Federal agency to jointly develop a model agency-level PME program that will demonstrate a positive effect on mission accomplishment and then sharing that model for adaptation by other agencies;**

  We believe this recommendation deserves further consideration. We have broached the subject with a subgroup of the IAG Committee, but questions were raised about its practicality and support for the idea was unclear. The MSPB draft report itself discusses some other successful efforts we have made, such as our PME Clearinghouse (and its Catalogue) and our Digest of Exemplary Personnel Practices. The report states they are an "excellent source for agencies seeking methods for improving" and concludes that these OPM innovations "allow agencies access to guidance without the sense of being forced to use a single methodology."

Nevertheless we have begun exploring with a small group of DOD agencies the possibility of developing a model PME program for use by DOD components as part of the Department's consolidation efforts. Additionally, we have begun exploring the possibilities of a model PME system tailored to the specific needs of small agencies.

3. OPM should do more to ensure that agency managers are aware of the broad merit system principles contained in title 5 of the United States Code, and the implications of these principles on managers' responsibilities.

We are somewhat puzzled by this recommendation. Unlike the others, it does not appear to be grounded in either a factual basis or sound underlying assumptions.

We absolutely agree that agency managers should be aware of the broad merit system principles and their implications, but we have little reason to believe they are deficient in this regard. The civil service rules and regulations are intended in most cases to give substance to the merit principles, and while gauging compliance with them is not the same thing as assessing managers' familiarity with the merit principles, it is not wholly unrelated. As your report acknowledges, OPM's review of thousands of personnel actions disclosed less than one percent regulatory violations in one year and 1.5 percent in another. As indicated above, we are constantly striving to balance a number of important objectives in the evaluation program and, with limited resources, we must choose very carefully how and where we expend them. While we would certainly like to make sure that all managers understand their responsibilities under the merit principles, in the absence of widespread or systemic violations or other evidence of need, we could not realistically assign a high priority to this effort. We believe it is far more important at this juncture to try to convince managers that proper and improved personnel programs can help them recruit, motivate, pay, promote, and rate the people vital to their mission concerns. The draft report contains some very good recommendations to us as we go about the business of doing this critical, and very difficult, job.

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We very much appreciate the fine work that Keith Bell and your management expended in reporting to us on our PME program. We hope our own comments, observations, and agreements for improvement will be of help to you as you prepare your final report.

Sincerely,

Claudia Cooley
Associate Director
for Personnel Systems
and Oversight

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