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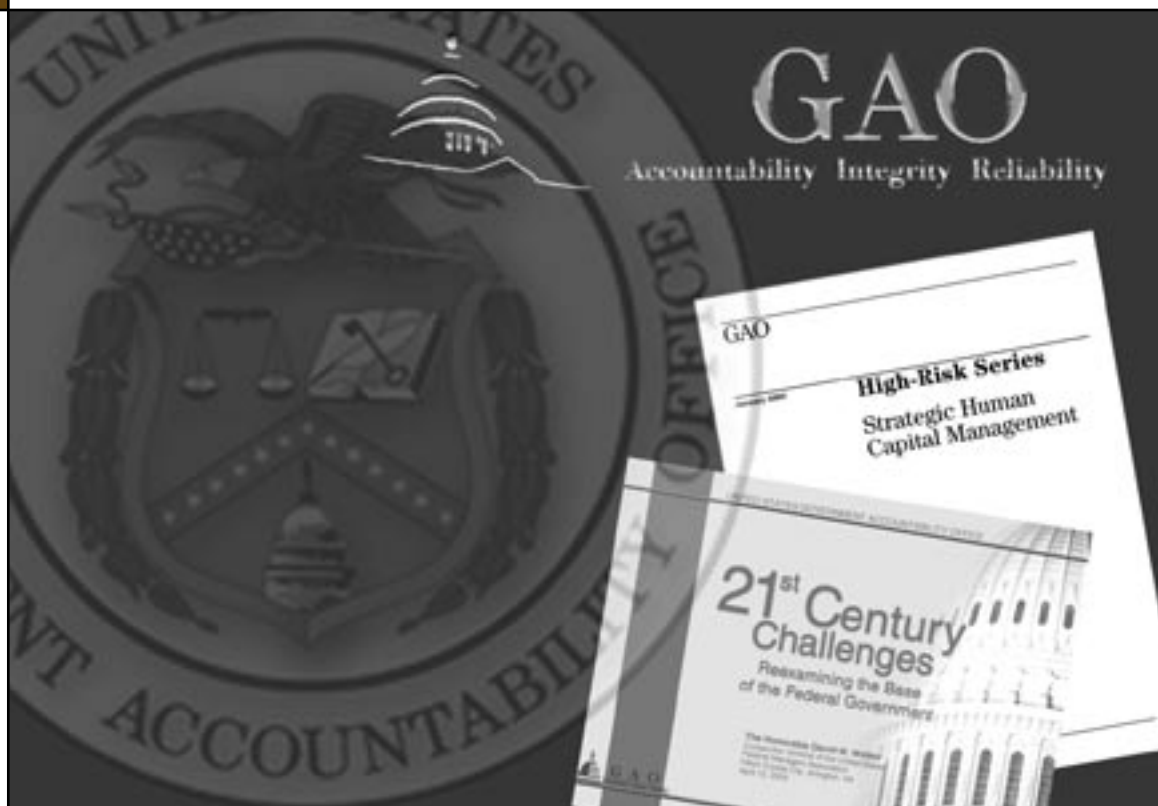
The Transformation of the Government Accountability Office: Using Human Capital to Drive Change

Jonathan Walters
Governing Magazine

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IBM Center for
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of Government**

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July 2005

On behalf of the IBM Center for The Business of Government, we are pleased to present this report, "The Transformation of the Government Accountability Office: Using Human Capital to Drive Change," by Jonathan Walters and Charles Thompson.

The Honorable David M. Walker, Comptroller General of the United States, has long been a proponent of focusing on the human capital of an organization and managing it as an asset. He recognizes that an organization's people are essential for the successful accomplishment of mission, and has demonstrated at the Government Accountability Office (GAO) that human capital management can be used to drive organizational transformation. Walker also believes that GAO should lead by example and be a model for other agencies.

In this report, the authors present the challenges that GAO faced, the successes achieved to date, and the lessons learned during the ongoing transformation. As other agencies—most notably the Department of Defense and the Department of Homeland Security—exercise their increased human capital flexibilities, the following question is likely to be asked, "How much can agencies learn across the federal government from GAO's experiences and how much of GAO's success can they replicate?"

Like the Government Accountability Office, other public and private organizations have also successfully used human capital management to transform their organizations. Three keys appear to be essential to such transformation. First, transformation cannot occur in a vacuum, but rather thrives in an environment of trust, transparency, and accountability. Second, it is imperative to pay attention to leadership development as part of the transformation efforts. As the GAO story points out, first-line managers have a key role in a transformation. It cannot be assumed, however, that these managers possess the leadership skills necessary to ensure success. Finally, open and honest communication across organizational levels is essential.

The authors present an honest description of the transformation of GAO. The report openly discusses challenges faced and overcome, mistakes made, and lessons learned. It challenges the reader to think broadly about human capital management as a driver for organizational transformation and what it can mean for the public sector as a whole. We trust that government executives will find the report informative and that it will assist them in the challenge of transforming their own organizations.

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EXECUTIVE SUMMARY

Transforming organizations is a complicated, frequently messy proposition. It is so because of an unavoidable truth about organizations: They are run by people. And so any drive to fundamentally change the way a place does business necessarily means that a central component of such change has to involve the people who work there.

The Government Accountability Office (formerly the General Accounting Office) has long been recognized as an organization that has evolved over the years according to shifting sets of circumstances and demand. A core part of that evolution, which continues today, has been in how it handles all aspects of staffing and personnel management ("human capital management" according to the current lexicon).

When Dave Walker arrived as Comptroller General in 1998, he says he found an organization with great people but with significant morale, credibility, and very real fiscal problems, an organization in need not of further evolution but of full-scale transformation.

In pushing that transformation, Walker has relied on several key tools, from initiating the organization's first strategic planning process to significant structural reorganization.

Central to the transformation, though, has been Walker's push on human capital management, including changes that he and many others believe reflect the requirements of a new, fast-paced, high-demand work world, on the one hand; and that respond to a new generation of workers who have vastly different expectations when it comes to work and careers, on the other.

This report looks at how the GAO workforce has kept pace with the organization's evolving role in federal government oversight. It investigates the challenges of implementing human capital reforms. Most specifically, it looks at current human capital initiatives in light of Walker's broader push on organizational transformation and considers lessons learned when it comes to pushing significant human capital management reform in the name of organizational transformation.

An analysis of human capital transformation at GAO is especially timely inasmuch as the federal government's two largest departments—the Department of Defense (DoD) and the Department of Homeland Security (DHS), representing well over half of all federal employees—have recently been shifted out from certain provisions of Title 5 U.S.C., which governs federal human capital management.

As DoD and DHS have moved out from under the traditional civil service, there has been significant debate and discussion about what shape their new personnel systems should take, and whether shifting away from traditional civil service rules and regulations will help or hinder the ability of those departments to attract and retain top-quality workers. Also much debated has been the question of whether providing additional personnel flexibilities makes the whole human capital process—as well as employees themselves—more vulnerable to the vagaries of politics, political change, and political pressure.

Areas that have received particular attention at GAO during Comptroller General Walker's tenure include improving employee/management communication around expectations and performance;

establishing pay for performance for the entire organization; establishing a system of market-based pay; and emphasizing more broadly the importance of human capital management when it comes to the overall success of an organization, including doing comprehensive strategic workforce planning.

Many close observers of federal personnel systems believe GAO has a significant amount to offer in answering questions around public sector human capital reform. "GAO is worth paying attention to," says Steve Nelson, director of the Office of Policy and Evaluation at the Merit Systems Protection Board. "They've been well ahead of other federal agencies in implementing changes, including large ones like pay for performance and going to market-based pay."

GAO has also been a leader in a broad spectrum of other human capital policies and practices, ranging from the use of flex-time, to tuition reimbursement, to early retirement incentives as a way to make room for and recruit new talent.

While it is widely recognized that GAO is quite different from executive branch agencies in that it doesn't provide services directly to the American public and plays a unique oversight role at the behest of Congress, there clearly are key lessons to be learned when it comes to significant change in how human capital management is handled in the public sector.

In particular, GAO has five basic lessons to teach the rest of federal government: (1) the need to move cautiously when pushing major human capital change and to involve staff in the process; (2) the need for strong strategic workforce planning; (3) the need to emphasize smarter, more targeted recruitment, hiring, and retention policies; (4) the need to beef up investments in systems for the selection and training of managers; and, perhaps most important, (5) the need for a fair, unbiased, and transparent system for hearing employee appeals absent certain traditional civil service (seniority-based) protection for employees.

Given the current enthusiasm for a revolutionary new approach to public sector human capital management at the federal level, many human capital management experts believe that other agencies would do well to heed the lessons of the federal government's chief accountability office as they go about the critical work of reinventing their own personnel systems.

Evolving Mission, Evolving Workforce

The "Green Eyeshade" Years

When the General Accounting Office (GAO) was created by Congress in 1921, it hired or transferred hundreds of clerks. Their job was to pore over documents related to federal agency spending, no matter how small or large the amount in question. The work was difficult and tedious—it could almost be characterized as factory work. Much like the agency's strategic focus of oversight and control, GAO's work environment was highly regulated, with intense employee supervision. Frontline workers were treated like troops in the field, with a large, straightforward job to do.

Since the "green eyeshade" era, which spanned the 1920s through 1940s, the fundamental mission of GAO hasn't changed: helping Congress ensure that federal agencies conduct themselves with economy, integrity, and efficiency. But GAO's strategy and focus for pursuing that huge job have changed considerably. As that strategy and focus have changed, so has GAO's approach to staffing, refining employee skills, employee workforce size, and its human capital practices in response to ever-changing sets of requirements when it comes to how GAO approaches its job.

Following World War II, GAO embarked on its first major shift in focus. Swamped with financial records, GAO overseers decided that it was no longer feasible, practical, or cost-effective to examine and review every single expenditure record created by executive agencies. And so GAO began focusing on the broader financial management and controls in place at the various agencies to assess whether they were adequate. That meant a wholesale shift in the role of GAO staff. Out went the green eye-shades and in came organizational auditors whose main role was to assess the capacity of the separate agencies when it came to their ability to ensure their own integrity and accuracy when it came to running their own fiscal affairs.

The change in GAO's focus required several organizational adaptations. First, GAO undertook an extensive internal reorganization, targeting the consolidation or abolition of redundant and outdated functions, including creating an Audits Division to take the place of Accounting and Bookkeeping and restructuring redundant layers of supervision that slowed workflow. Second, GAO significantly changed the size and makeup of its workforce. The agency, which had employed close to 15,000 staff in the early to mid-1940s, pared itself down to fewer than 7,000 employees by 1951. But if the workforce got smaller, it also became much more highly skilled. Voucher clerks were replaced with accountants capable of a much more sophisticated, big-picture look at agency fiscal practices.

The Era of Experts

The change to comprehensive auditing affected the manner in which GAO recruited, developed, and managed its workforce. Before 1950, the GAO basically hired and retained an army of relatively low-level clerks hired off of civil service lists. During the 1950s and 1960s, GAO shifted its recruitment efforts, focusing on creating a highly professional workforce. In the late 1960s and early 1970s, GAO again shifted its role, goals, and recruitment efforts. While most of the accounting world—in both the public and private sectors—was still tightly focused on fiscal issues, GAO began to move into the whole world of program evaluation.

Just as the agency's earlier change in strategic focus had driven changes in organization and staffing, so too did the agency's change of the late 1960s and early 1970s. GAO again undertook an extensive internal reorganization, this one aimed at replacing large, governmental area-focused divisions (e.g., Defense and Civil) with smaller, functionally focused divisions (e.g., Logistics and Communications, Procurement and Systems Acquisition, and Federal Personnel and Compensation). And GAO once again significantly changed the face of its workforce. The agency, which had primarily employed accountants, began to hire physical scientists, social scientists, and computer professionals, along with experts in healthcare, public policy, tax law, and information management.

Abbreviations and Acronyms

APSS	Administrative Professional and Support Staff
CBPS	Competency-Based Performance System
DHS	Department of Homeland Security
DoD	Department of Defense
DPM	Designated Performance Manager
EAC	GAO's Employee Advisory Council
EEOC	Equal Employment Opportunity Commission
GAO	Government Accountability Office
GS	General Schedule
IDP	Individual Development Plan
MRG	Management Review Group
MSPB	Merit Systems Protection Board
OOI	GAO's Office of Opportunity and Inclusiveness
OPM	Office of Personnel Management
PAB	GAO's Personnel Appeals Board

With the heightened professionalism of the GAO workforce through the 1960s and 1970s came another significant culture shift at GAO. For the first time ever, frontline employees were invited to get involved in agency decision making as GAO adopted the use of employee task forces to study agency problems/issues and to make recommendations for internal and organizational changes.

The Era of Flexibility

For almost 60 years—from its founding in 1921 until 1980—GAO operated under the same federal civil service laws as executive branch agencies, even though it was part of the legislative branch of government.

By the 1970s, there was growing dissatisfaction with the civil service system more generally. Critics complained that nearly a century's worth of accreted regulations no longer served the cause of "merit," but rather had made the federal human capital management bureaucracy an impenetrable mass of rules in need of a serious trim.

There was enough dissatisfaction with the merit system that Congress passed the Civil Service Reform Act of 1978, which dissolved the Civil Service Commission and distributed its powers to the Equal Employment Opportunity Commission (EEOC), the Merit Systems Protection Board (MSPB), and the newly created Office of Personnel Management (OPM). OPM was charged with managing the government's civil service.

But the overhaul did nothing to change GAO's status when it came to federal human capital rules: OPM oversaw civil service management. GAO, which had been given increased oversight of the evaluation of federal agencies and programs through the decades, believed that being subject to OPM regulations represented a significant potential conflict of interest. Senior GAO executives began working with Congress to fix the problem. In 1980, the GAO Personnel Act was passed, removing GAO from OPM's oversight and also granting the agency certain human capital flexibilities unavailable to many executive branch departments.

The GAO Personnel Act of 1980 was the agency's first significant step away from a traditional human capital system like that found in most federal agencies (as well as in most state and local governments). In short the 1980 law:

- Removed GAO from OPM oversight

- Exempted GAO from certain Title 5 (civil service) regulations that applied to executive branch agencies (i.e., rules governing the agency's ability to appoint, classify, promote, and assign employees)

- Gave GAO the ability to set some employees' pay without regard to the federal government's classification standards and requirements

- Gave GAO the ability to establish a performance-based pay system for some of the agency's employees

While probably considered modest by today's human capital reform standards, the human capital flexibilities the agency won in 1980 were at the time considered revolutionary, offering GAO a great deal of freedom when it came to defining the structure, organization, and composition of its workforce. The 1980 law, as it turned out, would be just the beginning of an era of significant experimentation in human capital practices at GAO, which continues today.

The changes also laid the groundwork for the one characteristic of GAO's workforce management that current Chief Administrative and Chief Financial Officer Sallyanne Harper considers essential: GAO won the ability to begin treating different employees differently, depending on their role, responsibilities, and their performance. That approach is a profound shift away from typical public sector human resources management, which, if anything, is focused on treating people as uniformly as possible.

The Modern Era of Human Capital Management

Substantially freed from traditional federal HR law, GAO began experimenting with how it managed a range of human capital issues. In particular, the agency took a pioneering role in the use of pay banding and pay for performance. Unlike the traditional "step and grade" system contained in typical civil service systems—where employees move up

a clearly defined pay ladder based in large part on time on the job—pay banding and pay for performance systems allowed managers broader discretion in how they compensated employees.

That discretion included how much individuals might be offered for a starting salary, along with what level of performance they would be asked to achieve in order to move up the pay scale. In 1989, GAO began the use of pay bands and pay for performance for the agency's analyst and attorney populations. Pay bands were established to respond to significant changes in an employee's duties, responsibilities, and/or skill sets. The pay ranges for GAO's bands were initially based on the federal government's General Schedule (GS) pay rates. GAO's departure from step and grade could certainly be characterized as a radical step in public sector human capital practices, particularly for the federal government (states would also begin experimenting with pay banding in the late 1980s and early 1990s).

While establishing pay bands was relatively simple—based substantially on job titles and the old GS system—the pay-for-performance component of the shift was trickier. Although employees covered under the new compensation system continued to receive yearly governmental general increases to their salary, a management review group (MRG) was established to determine individual pay levels. Since all employees were required to receive the annual government-wide increase, performance increases were relatively modest compared to the across-the-board increases.

The MRG considered four pieces of information when making their decisions: (1) an employee's performance appraisal; (2) an employee write-up of the contributions he/she had made to the organization the previous year; (3) firsthand knowledge panelists may have had regarding the individual's and/or the work group's efforts; and (4) panel discussions of the relative performance and contributions of each staff member. Individual employees' overall pay was dependent upon their placement into one of four performance categories—exceptional, meritorious, commendable, or acceptable. Employees whose performance was higher relative to other members of their pay band were compensated at higher levels within that band.

The Lean Years and an Agency Resurgence

The broad focus of GAO's work didn't change much during the 1980s and early 1990s. The agency continued to work with executive branch agencies to improve their financial management systems, and to provide timely and useful information to the Congress on a broad range of issues (e.g., the Social Security Trust Fund and the nuclear breeder reactor). Through the 1980s and 1990s, GAO also continued to push for professionalizing staff. But it wasn't just individuals with high-level expertise in specific disciplines, like tax or telecommunications law and policy; the agency was looking for more general work skills among employees. Competencies such as the ability to communicate and cooperate became a premium as GAO instituted a team-based approach to auditing and research assignments. In order to retain such high-skilled, high-quality employees, GAO also started to make some other quality-of-work life changes, including adding a day care center and a fitness facility at GAO headquarters, offering maxiflex (choice of workhours) and telework (the ability to work from home), and adding an education reimbursement component to its compensation package.

The fact that more of GAO's work through the 1970s and 1980s was being done at the request of Congress could be viewed as a compliment to the agency and its increasingly skilled, educated workforce. But not everyone saw it that way. With Democrats in control of both houses of Congress through the 1980s and early 1990s, GAO, in the eyes of some critics, had become the vehicle through which Democrats could torment Republican administrations by way of hard-hitting executive agency audits. It was not a wholly unfounded view.

The view among many in the ascending Republican Party was that GAO had become a research/attack arm of the Democrats. That view, along with general fiscal cutbacks at GAO, would lead to a very lean half decade for the agency. From 1992 through 1997, budget cuts forced GAO to reduce its work-force by 40 percent. While GAO may have cut itself loose from many OPM rules, it still followed tradition, for the most part, when it came to reductions in force (RIFs): Because RIFs were based in large part on seniority ("bumping"), younger staff were cut in favor of veterans.

Budget cuts, meanwhile, caused the agency to essentially freeze entry-level hiring (and also cut back on employee training). The extensive staff reduction and the hiring freeze combined to precipitate a dramatic increase in the overall age of the agency's workforce. In fact, due to the compression in age caused by the RIFs and freeze, more than one-third of the agency's employees would be eligible to retire in 2004. That percentage was even higher for upper-level executive staff.

When Dave Walker started his 15-year term as Comptroller General in November 1998, he faced a daunting task. Some members of Congress had gone on the record questioning GAO's credibility, and its workforce was overstretched, misaligned, and demoralized. Very little fresh talent had infused the agency, and its very hierarchical, segmented organizational structure was considered inadequate to the agency's broad oversight mission in a new millennium. Indeed, the GAO of the early 1990s has been variously described as a cluster of "fiefdoms" vying for power and influence, and "hardened silos" highly resistant to intra-organizational communication and cooperation.

Meanwhile, other entities, like the Congressional Budget Office and the Office of Management and Budget, and even non-governmental organizations, such as the Urban Institute and the Cato Institute, were becoming competitors in program and policy research and evaluation.

The challenge, then, was twofold: Enhance GAO's reputation as an agency that does independent, high-quality work, and bolster the agency's capacity to do that kind of work by rebuilding its staff.

The Challenges of Transformation

Upon his arrival, Walker clearly understood that GAO would have to work hard to regain its reputation as a professional, nonpartisan source of reliable information on government finance, program evaluation, and policy administration.

In Walker's view, though, the change couldn't be incremental. Given GAO's key mission—as a nonpartisan research arm for all members of Congress in the broad effort to make government work for all Americans—change had to be sweeping. The transformation push included a first-time-ever strategic plan. It included significant reorganization, and it included a powerful push on performance measurement as a management tool.

To do all that, however, would require a significant focus on the people side of the management and performance equation. And so, most critically, Walker would focus on building GAO into what in his view would be a model professional services organization, one that he hoped other government agencies would strive to emulate.

Five Challenges of Human Capital Reform

Challenge 1: Breaking Down Silos

Challenge 2: Winning More Flexibility

Challenge 3: Building Management Capacity

Challenge 4: Rating Employees

Challenge 5: Shifting to a New Pay System

Walker chose two fundamental road maps for accomplishing those broader goals: (1) a comprehensive strategic plan aimed at rebuilding GAO's reputation for providing dispassionate, credible oversight and evaluation of government finance and operations; and (2) a plan for developing GAO's number one asset—its staff. "I've been looking at the human capital side, the people side of this business for years," says Walker, who spent his formative years in large accounting firms like Price Waterhouse, Coopers & Lybrand, and Arthur Andersen. "When you're running a professional services organization—and I consider GAO to be a professional services organization—you're only as good as your people. Your value walks out the door every day, and you hope it comes back tomorrow."

Challenge 1: Breaking Down Silos

When Walker stepped into his job as Comptroller General, he says he essentially found good people trapped in a bad system. "When I got here, I found great, dedicated public servants who wanted to make a difference for the Congress and the country. But I also found a culture that was the same as many other governmental organizations, and that was troubling to me. It was very hierarchical, very siloed. It was very process oriented, inwardly focused, and too risk averse. I also found that GAO did not have the philosophy of leading by example, which was especially important to me because we audit, investigate, and evaluate everyone else. So, for example, as we were looking at other agencies, asking about their Y2K readiness, I also asked, 'Where do we stand on that?' "

Walker's first major internal action was an organizational overhaul that included eliminating

one layer of management and consolidating 35 issue areas into 13 teams. At the same time, the agency reduced its U.S. field offices from 16 to 11. Authority for deciding who would work on what kinds of projects was pushed down the chain of command. Meanwhile, team leaders were given the responsibility to do much more than simply oversee research projects; they were also handed the job of staff development (in the new GAO world order, team leaders would, in fact, be designated as "performance managers," meaning they were charged with the job of ensuring staff have the tools and resources they need to do the required work). GAO also began work on an organization-wide human capital self-assessment, the creation and implementation of extended development programs for entry-level employees, and a re-emphasis on the agency's recruitment programs.

Challenge 2: Winning More Flexibility

Through the GAO Personnel Act of 1980, the agency won clear and significant flexibility in how it went about human capital management, mostly around issues of compensation. But Walker wanted more direct mechanisms for bringing new talent into the organization. In October 2000, GAO won the right to offer early outs and buyouts to longtime staff as a way to rebalance what had become a very top-heavy agency. Through the GAO Personnel Flexibilities Act of 2000, GAO also won the right to skirt the classic "bumping" approach to reductions in force, where the most recently hired employees are the first to be shuffled out the door during downsizings. (Bumping, critics argue, is an essentially seniority-driven approach to human capital management that ignores performance, skills, and organizational needs when it comes to deciding who stays and who goes during a downsizing.) At the same time, GAO won the ability to increase pay and benefits for senior-level scientific, technical, and professional positions.

According to GAO, the early out provision of the flexibilities act has been effective in clearing space for new hires. Indeed, in the past few years, the agency has been bringing in new analysts at a steady, healthy rate—295 in 2001, 370 in 2002, 135 in 2003, and 243 in 2004 (more on GAO's noteworthy recruitment efforts under Lesson 3 on page 20).

Highlights of the GAO Personnel Flexibilities Act of 2000

The GAO Personnel Flexibilities Act of 2000 gave the Comptroller General the authority to:

- Offer employees voluntary early retirements or separation incentives in order to realign the workforce

- Establish modified regulations regarding the separation of employees during a reduction or other adjustment in force

- Establish senior-level scientific, technical, and professional positions and provide them with pay and benefits comparable to the Senior Executive Service

- Renew three-year term appointments

While effective, the voluntary early retirement and buyout authority extended to GAO in 2000 was temporary. And so the agency requested it be made permanent, a request that Congress granted through the GAO Human Capital Reform Act of 2004. The 2004 law also extended to GAO greater flexibility in setting pay for all its staff. The agency also has the ability to make counteroffers to employees who might be considering leaving the agency, counteroffers that several staff report were key in their staying at GAO. (Because GAO staff tends to be highly skilled and highly educated, they also tend to be heavily recruited, particularly by other federal agencies. Several younger staff interviewed for this report said that they'd been offered jobs in other areas of the federal government, including by the very agencies they were in the process of reviewing.)

The 2004 law also granted GAO the power to use other recruitment incentives, including more flexibility in reimbursing employees for relocation costs and flexibility in what potential hires could be offered by way of paid leave. Significantly, the law also exempted GAO from having to automatically follow annual pay adjustments applicable to the executive branch. GAO will still seek annual appropriations at least equal to the annual executive branch across-the-board increase. However, GAO now has the authority to allocate the related

Highlights of the GAO Human Capital Reform Act of 2004

- Changed GAO's name from the "General Accounting Office" to the "Government Accountability Office"

- Authorized GAO to establish an executive exchange program with private-sector organizations

- Made permanent GAO's three-year authority to offer voluntary early retirement and voluntary separation payments

- Authorized the Comptroller General to adjust the annual pay rates of employees separately from those authorized for executive branch employees

- Authorized the Comptroller General to set the pay for employees demoted as a result of workforce restructuring or reclassification at their current rates with no automatic annual increases

- Authorized GAO to reimburse employees for some relocation expenses that do not meet current legal requirements but benefit the agency

- Authorized GAO to provide 20 days of annual leave for some employees with less than three years of federal service

funds on the basis of the skills, knowledge, and performance of its staff, further enhancing GAO's pay-for-performance philosophy. As a result, GAO staff will now receive annual compensation adjustments and awards that are predominantly determined by their performance. The GAO Human Capital Reform Act of 2004 also granted GAO a name change that agency leadership believed more accurately reflected the agency's mission. Effective July 7, 2004, the General Accounting Office officially became known as the Government Accountability Office.

Clearly, though, the initiatives that currently are receiving the most attention at GAO are its move to expand pay for performance to all employees, along with its move to a more "market-based" salary schedule. Both initiatives are being closely watched by those both inside and outside the federal government, as they represent continued significant steps away from traditional civil service policies in an era when there is clear and growing interest (and pressure) to shift significant sectors of the federal government out from under OPM control.

Challenge 3: Building Management Capacity

What becomes clear in looking at how human capital management reform has played out in GAO is that while a freer, more flexible system offers great potential when it comes to finding and keeping good people, it presents significant management challenges. Any time systems for doing big things like setting pay, deciding promotions, and figuring out who is separated in a downsizing are made less rigid, the whole issue of "management subjectivity" (not to mention potential "politicization") rears its head.

Key to the success of such a system is a sense that managers are competent and objective, and that systems for evaluating employee performance are fair. Also key, points out GAO's Harper, is putting in place systems and processes for employee appeals of adverse actions—systems and processes in which employees have full confidence in an unbiased hearing and decision.

In interviews with a wide range of GAO staff, including new hires and old hands, this refrain was fairly consistent: The general work conditions at GAO—including everything from reimbursements for school, to training opportunities, to work-flex, to pay for performance—were all potentially positive tools in the hands of the right people.

Just as consistent, however, was the message that middle management at GAO represented a wide range of skills, abilities, and temperaments. The manager to whom an employee reports has obvious and significant influence over how that employee views human capital management freedom. For example, some staff said they had managers who were supportive of using maxiflex, while others said they had managers who viewed it with suspicion. (Indeed, one of the GAO managers interviewed for this report expressed overt skepticism about the practice, characterizing it as "all flex and no work.")

Comptroller General Walker notes that other issues related to building management capacity have been at play as well. "When I first arrived we had really slowed down promotions, so we had a lot of work to do around training and development. But the fact is, not every manager is going to be as good as someone might like. That's why we have release valves you can go to, like a human capital manager or our Office of Opportunity and Inclusiveness, if people feel they're not getting feedback or being treated fairly."

Still, many of those interviewed for this report said the problem of weak mid- and upper-level managers needs to be addressed very specifically. Many staff stated bluntly that there are still some weak performers within GAO management who need to be offered the opportunity to work elsewhere.

Challenge 4: Rating Employees

On the more mechanical side, GAO has revamped its employee evaluation system in a way that the organization hopes will make it more objective, on one hand, and more accurate when it comes to gauging the range of skills and abilities within GAO, on the other. One of Walker's early observations was that "evaluation inflation" was rampant within the agency. "Looking at the distribution on a five-point scale, the average was 4.62," he says. "We were Lake Wobegon. We do have a lot of great people, but we need to do the [evaluation] analysis within our closed population, not as measured against the world."

Under GAO's new "competency-based performance appraisal system," employees are now rated on 11 competencies, including things like the ability to think critically, achieve results, and work within a team. (For an overview, see "GAO's New Competency-Based Performance System.") Furthermore, the new system is designed to integrate GAO's strategic plan, including the agency's core values, with the appraisal system for individual employees.

In what designers of the new system describe as an effort to make the exercise more objective, the competency-based evaluation eliminates written narrative in most cases in favor of checked boxes (evaluations that characterize an employee as either a "deity" or "devil" must include narrative support, however). Additionally, says Walker, and in keeping

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Key Efforts Stated in GAO's Strategic Workforce Plan

1. Implement and evaluate the effectiveness of human capital flexibilities granted by Congress to assist GAO in managing our workforce.

2. Continuously assess GAO's need for additional workforce flexibilities to enhance organizational human capital management and seek changes where appropriate.

3. Enhance GAO's strategic workforce planning efforts to more fully integrate them with the agency's strategic goals and objectives.

4. Use workforce planning to more closely align GAO's human capital assets with organizational needs and goals.

5. Examine state-of-the-art recruiting programs, identify best practices, and plan implementation of recommended actions to enhance GAO's hiring program.

6. Identify and implement human capital sourcing strengths for addressing workforce gaps not met by hiring.

7. Identify methods to improve staff development and utilization.

8. Design and deliver a training and development program that focuses on GAO's core competencies and creates a unified learning architecture.

9. Identify and explore strategies for knowledge sharing and knowledge transfer.

10. Promote an environment that is fair and unbiased, and values opportunity and inclusiveness.

11. Establish competency-based appraisal systems for all staff and make enhancements to these systems as needed.

12. Establish market-based and performance-oriented compensation systems for all staff, and make enhancements to these systems as needed.

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with changes GAO staff say they would like to see, the agency is currently experimenting with "360 degree" evaluations, where employees are rated by subordinates, peers, and superiors alike.

GAO's New Competency-Based Performance System

Performance Appraisal (Management and Employees)

Each year the Comptroller General communicates the competency-based general expectations and performance standards for all GAO Senior Executive Service (SES) and Senior Level (SL) members. These performance requirements derive from and link to GAO's mission, strategic goals and objectives, performance plans, and budget priorities. Each member's individual performance is appraised against these standards.

Employee Appraisal Documentation

GAO implemented a competency-based appraisal process for GAO analysts, specialists, investigators, and attorneys in 2002. The system employs the following documents—all of which are secured within an intranet-based system (the CBPS, or Competency-Based Performance System) that facilitates the capturing and secure sharing of performance management information for all GAO staff. A similar system was implemented in 2004 for the Administrative Professional and Support Staff (APSS).

- *Performance Standards and Ratings Categories Document*—contains the performance-level standards staff are rated against for each competency, and defines the competencies and the work activities within each competency.
- *Appraisal (GAO form 596B)*—is used to record performance assessment in competencies and is completed by the supervisor or Designated Performance Manager (DPM).
- *Self Assessment (GAO form 596A)*—is completed by staff to provide their assessment of their performance and additional information regarding their performance during the appraisal year and is submitted to the rater (optional).
- *Individual Development Plan (IDP) (GAO form 588)*—is completed by staff and reflects their proposed plan to further develop or enhance their skills and professional development.

How Appraisals Tie Together: Rating Review and Accountability

Staff member's supervisor or the DPM completes appraisal. The appraisal is then reviewed and approved by the reviewer, who is generally at the Senior Executive level. The Human Capital Office and Office of Opportunity and Inclusiveness then each conduct an independent GAO-wide review of each team's ratings to help ensure they are in accordance with GAO's goals, including equity, opportunity, and non-discrimination considerations. After the review, staff can grieve the rating through a formal grievance process.

Performance Cycle and Appraisal Process

The major appraisal process activities include:

- At the beginning of the year, overall agency team unit and individual goals and expectations are communicated, including engagement-specific goals and expectations, as applicable.
- At the end of the year, staff prepare a self assessment, which is released to their DPM.
- Teams communicate next year's performance goals and how staff performance contributes to team and GAO goals.
- DPM prepares appraisal.
- Reviewer reviews appraisal.
- GAO-wide review of teams' appraisals.
- Appraisals are released to staff in the CBPS, after completion of GAO-wide review.
- DPM conducts appraisal feedback session with staff and sets next year's staff expectations.
- Staff complete their next year's IDP.

Complaint Resolution and Grievances

- An employee who is dissatisfied with his or her appraisal must first try to resolve the complaint informally through discussions with the rater and appraisal reviewer before filing a formal grievance.
- The majority of performance complaints are resolved informally at the DPM level and are not formally reported.
- Provides a formal, external appeal authority—GAO's independent Personnel Appeals Board.
- There were a total of four formal grievances in 2002, six in 2003, and 12 in 2004.

The general view of the new rating system among staff won't surprise veterans of efforts to revamp employee-rating schemes. In the opinion of most of those interviewed, it represents neither a step forward nor backward but a continuation of the tinkering that the public and private sectors have been pursuing around employee evaluations since they were first invented. "I don't see it as dramatically different," noted one longtime GAO mid-level manager. "But I do find it sort of disturbing that it's being portrayed as so objective and transparent. We don't make widgets here. Employee evaluations are by their very nature subjective, and I think that needs to be recognized. The weak link in performance reviews is the manager—the manager can play games, or not do it well, or not take it seriously."

Bob Robinson, a 32-year veteran of GAO and now the head of the Natural Resources and Environment team, thinks GAO has made progress on the evaluation front. "There's a vastly improved level of feedback and discussion and honest talk about people's strengths and what they need to work on," Robinson says. A lot of that has to do with a much more businesslike approach to the work relationships at GAO under Comptroller General Walker, notes Robinson. "Dave has transformed GAO from a family-owned style business to much more of a multinational corporation-like organization. While there are advantages and disadvantages to each style, if you're a family-owned business, you're reluctant to make waves with the people you work with, so you never say anything that might make them hurt or angry, and that's a very ineffectual approach from the standpoint of making anybody better."

Challenge 5: Shifting to a New Pay System

The whole issue of employee evaluation becomes that much more critical in an environment where how an employee is rated really does directly determine what that employee is paid. Clearly what attracts people to GAO isn't just money. The widespread sentiment expressed by those interviewed for this report was that what made GAO an attractive place to work was the work itself. "I felt that it was a job that I could do and get up every morning and look at my reflection in the mirror and have a degree of pride," says one longtime staffer. Wanting to make a difference, wanting to be part of an effort

to serve the public and to be part of positive change were frequently mentioned as the top reasons why people had come to GAO.

But compensation is always a central issue, and so GAO's pioneering push toward pay for performance is obviously worth attention, as is its recent effort to put GAO on a more market-based footing when it comes to compensation. As Chief Administrative and Chief Financial Officer Harper succinctly states it, "Whenever you're messing around with people's pay there are going to be concerns."

Both the pay-for-performance effort and the push for market-based pay have indeed caused some consternation and concern among GAO staff. The move away from the General Schedule is based on a market study that was done by a private sector consultant, which looked at comparable work in government, in the private sector, and in the not-for-profit think tanks.

Going to a market-based salary system is certainly revolutionary for the federal government. On the up side, having the freedom to adjust pay to ensure competitiveness clearly makes sense from the standpoint of recruitment and retention (although, to a limited degree, GAO was already responding to the market with its ability to make counteroffers to employees being wooed away from GAO). On the other hand, the study found that some positions in GAO needed pay down-scaling, which has caused some of the younger staff to worry about their future earning power at the agency. (While Walker has made it clear that nobody will receive a pay cut as a result of the study, there will be some slowing in the rate of increases for some GAO employees. Some employees who are paid in excess of competitive compensation levels could face a freeze in their base salary, and some new hires will be paid less than what would have been offered under the old system.)

Those concerns aside, nobody interviewed for this report complained about being underpaid; indeed, many staff said that the combination of interesting work and decent pay and benefits made GAO a very attractive place to be. There was a clear generation gap, though, when it came to expectations of moving up the pay and promotion ladder. Longer-time staff remembered the days when moving up took years and years in the trenches. Younger staff are more attuned to faster pay and job upgrades.

As for the broader issue of pay for performance, GAO's system probably wouldn't be viewed as all that groundbreaking were it not for its federal government status. While "pay for performance" has the ring of radicalism to it in some federal circles, states and localities have been experimenting with the practice for more than a decade, with varying degrees of success. In Texas, for example, employees have for decades had to achieve a certain level of performance in order to get any kind of raise, whether merely cost of living or a higher raise for outstanding performance. And certainly the idea is not new to GAO, points out Human Capital Officer Jesse Hoskins. GAO first instituted pay for performance 16 years ago.

At the higher level, GAO appears to be successfully navigating the change from a pay-by-seniority federal system to a performance-based approach. It seems that message has gotten through to most GAO staff—that nothing in the way of pay or promotion is any longer automatic (that is, longevity based). Again, though, the key to sustaining such a system is confidence that employees are being evaluated fairly and that there is a clear and unbiased system of appeals when employees feel they're being treated unfairly. Many of those interviewed for this report said they liked the new order, noting that they were more than comfortable with a system that recognized and rewarded hard work and high performance. A handful of staff, though, expressed the concern that they weren't being given the opportunity to show the sorts of leadership skills that would allow them to move up in the organization; others said that the new "high performance" emphasis at GAO had been the cause of some corrosive competitiveness on some teams.

But also key to any pay-for-performance system is that upper-level management clearly communicates to staff the situation when it comes to overall agency fiscal resources. If a government agency raises expectations by dangling out the possibility of higher-than-average pay raises or bonuses to top performers and then finds itself in a fiscal situation that demands parsimony, it can lead (and in the view of some has led to) widespread concern among the troops. Harper says that GAO is keenly aware of the possibility of raised (and dashed) expectations. She is also keenly aware of the long-range federal fiscal picture, which is brightly painted with tightly constrained budgets for the foreseeable future. At some point, she says, GAO may simply have to consider getting somewhat smaller in order to maintain the promise of higher pay for high performance.

Lessons Learned and Conclusion

Comptroller General Walker has said repeatedly that he wants GAO to be a model for other federal agencies and a world-class professional services organization in specific areas of administration—from information technology to human capital management—as well as in how the agency conducts itself generally, that is, with accountability, integrity, and reliability. It is an imperative, he says, that is particularly powerful at GAO inasmuch as the agency spends its days instructing others in the federal government how to perform better. And so the questions around GAO's human capital initiatives are obvious: Should other federal agencies try to emulate GAO? Can they?

The questions are certainly timely. As of this writing, both the Department of Homeland Security and the Department of Defense are in the process of shifting out of certain Title 5 U.S.C. provisions and coming up with their own systems for managing human capital. (The Federal Aviation Administration, the Internal Revenue Service, and the National Aeronautics and Space Administration are the other major federal agencies that have been given human capital flexibilities.) At the same time, there seems to be growing interest in looking at other executive-level agencies—the Department of Health and Human Services, the Environmental Protection Agency, and so on—and assessing whether they might not benefit from a human capital overhaul.

John Palguta, with the Partnership for Public Service, a nonprofit that seeks to build the recruitment and retention capacity of the federal government, thinks GAO has a lot to offer when it comes to reinventing federal personnel systems. For one thing, says Palguta, GAO has put on the table throughout the federal government the whole issue of human capital man-

Lessons Learned
1. The need to move cautiously when pushing major human capital change and to involve staff in the process
2. The need for strong strategic workforce planning
3. The need to emphasize smarter, more targeted recruitment, hiring, and retention policies
4. The need to beef up investments in the selection and training of managers
5. The need for a fair, unbiased, and transparent system for hearing employee appeals absent certain traditional civil service protections for employees

agement as key to better performance by critiquing agencies based on their human capital policies and capacity.

The agency, meanwhile, has done broader studies on everything from pay for performance in the public sector to the extent to which federal agencies have been using all the flexibility they have under current human capital rules. "But Walker does want to practice what he preaches," says Palguta. "I know that pushing his own performance-management and pay-for-performance systems has been a very tough thing to do. But they're making a concerted effort over an extended period of time, and he seems willing to make that commitment."

Nor is the Comptroller General shy about being judged by his efforts, Palguta adds. At Walker's request, GAO will, for the first time ever, be included in the Partnership for Public Service's

annual employee satisfaction survey on "best places to work," a survey that is normally restricted to executive-branch agencies. By asking that GAO be included in the rankings, which are due out in late spring to early summer this year, "he's taking a little bit of a risk," Palguta says. (GAO also does its own annual employee satisfaction survey; see the Appendix for results of GAO's FY 2003 and FY 2004 internal surveys.)

As for the larger questions raised by the GAO effort—considerably circumscribed seniority rights and significantly increased managerial discretion when it comes to pay and promotions—Palguta thinks that worries about a wholesale return to patronage hiring, or increased political pressure on employees to toe the administration line, or rampant management "favoritism" are probably overblown. "I still think GAO is a valuable model to watch, although one thing to keep in mind is that GAO has a fairly unique, highly professional workforce."

Despite GAO's unique standing in the federal government, the agency clearly has lessons to offer other federal entities looking at significant human capital reform.

Lesson 1: The Need to Move Cautiously When Pushing Major Human Capital Change and to Involve Staff in the Process

Al Hyde, who studies federal human capital issues for the Brookings Institution, agrees that GAO has lessons to offer, but of a more cautionary nature. Such significant change needs to be done with great deliberation and significant employee involvement, he says.

It seems clear that GAO's changes have involved a great degree of deliberation and employee involvement. At the same time, many of those interviewed for this report expressed concern about the speed of change at GAO, even those who generally supported the changes. "One thing that I tell staff is that they can depend on change, and I know it gets kind of stressful and we need to manage that," says Human Capital Officer Hoskins. "I do think the organization may be experiencing a bit of that stress."

But employees are naturally going to be nervous about big change, says Nelson of the Merit Systems Protection Board, which hears appeals in the case of adverse personnel actions in the federal government. "I think it's normal that there would be initial trepidation and even suspicion," says Nelson.

To alleviate that trepidation and suspicion, it is critical that employees feel as though they've been involved in shaping and implementing change, emphasizes the top management at GAO.

When Comptroller General Walker arrived at GAO, there was no single group representing employees to management. Rather, there were a host of disparate groups representing various interests, from minorities to the disabled. Walker merged them all under an umbrella Employee Advisory Council (EAC), now made up of 22 staff representing all employees agency-wide (most of the GAO staff interviewed for this report are current members of the EAC). The EAC was established to offer employees more direct and coherent input into decisions about agency administration and direction. "The two groups I interact with most are the managing directors and the EAC," says Walker.

Members of the EAC interviewed for this report were of mixed opinion when it came to the question of how much influence they actually have over GAO policy. None viewed the EAC as a "rubber stamp," something it is occasionally accused of by other staff. On the other hand, EAC members recognize that, while they have access to the Comptroller General and significant influence, they do not have any veto power over initiatives that the Comptroller General feels strongly about, either. Most did agree, though, that GAO was much less subject to the rampant rumor mill that seemed to work overtime prior to the creation of the EAC; that at least there was two-way and agency-wide communication about the changes that are coming, and no trickle-down surprises from the top.

Lesson 2: The Need for Strong Strategic Workforce Planning

"GAO believes that strategic human capital management must be the centerpiece of any serious change management initiative and effort to transform the culture and operations of any large organization, including government organizations," writes Comptroller General Walker in his opening mes-

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Other Organizational Transformations: Best Practices

- **Centralize Authority and Accountability**
  Lesson learned from the United States Transportation Command (TRANSCOM), which assumed ownership of the Department of Defense supply chain and made infrastructure and process changes to reduce costs, improve customer satisfaction, and enhance responsiveness.

- **Actively Involve All Customers in Key Design Decisions**
  Lesson learned from Pfizer, which involved employees, managers, and executives in key design decisions during the company's creation and implementation of a global HR service delivery model and shared services strategy that eliminated structural and process redundancies within the company's HR organization.

- **Drive Change Through Top-Down Transformations**
  Lesson learned from the United Kingdom's Driver and Vehicle Licensing Authority (DVLA), which designed and implemented a new Leadership Strategy, Leadership Model, and Leadership Development Program to support the DVLA's implementation of an e-enabled business model.

- **Empower Employees and Managers to Take Ownership of HR-Related Data and Transactions** and

- **Reduce the Administrative Burden on HR Staff to Allow More Time for Strategic Program Planning**
  Lessons learned from IBM, which implemented a tiered HR service delivery model (i.e., web-based self-service portals, call center support, HR staff support) to reduce HR-related costs, improve process efficiency and uniformity, and improve customer satisfaction.

- **Ensure Senior Management Openly Supports and Champions New Policies and Programs**
  Lesson learned from the United Kingdom's Ministry of Defence (MOD), which overhauled the agency's training and development programs to support MOD's adoption and implementation of new financial accounting methods and information systems.

- **Maintain Open Communication Channels Between Management and Employees**
  Lesson learned from Ford, which centralized the company's HR services and implemented employee self-service portals to lower HR-related costs, improve customer satisfaction, and enhance responsiveness.

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sage of the GAO's FY 2004–2006 *Human Capital Strategic Plan.*

The strategic human capital plan is a wide-ranging document that essentially lays out the agency's goals for ensuring that staff match up with mission in upcoming years. Specifics include doing staffing needs assessments, ensuring that the organization takes full advantage of the human capital flexibility granted to it by Congress, offering training that meets the needs of both employees and GAO, creating programs to aggressively and tactically recruit skills necessary to meet GAO's congressional mandate, and creating programs and policies to enhance retention.

Lesson 3: The Need to Emphasize Smarter, More Targeted Recruitment, Hiring, and Retention Policies

One of the most powerful lessons to be gleaned from GAO's human capital practices is around its tar-

geted, aggressive, and efficient recruitment and hiring policies. Several of the younger staff interviewed for this report noted that the process of getting in the door at GAO was head and shoulders above that of other federal agencies to which they'd applied for jobs. Indeed, one staffer who had applied to several federal agencies said it was months after he'd been *hired* by GAO that he even heard from the other agencies about *setting up an interview*.

GAO targets recruitment according to identified need, going to top schools and graduate schools nationally and in Puerto Rico. The most common route to a job at GAO is through an internship. The program is set up to bring in students, typically graduate students who are almost finished with school. Those who are selected and who complete 400 hours of work (real work, not make work) and who seem ready for the jump to full-time work at GAO are offered the option of "converting" to a full-time job at GAO.

Once converted, most employees spend two years rotating among teams on a probationary employment basis. Both longtime staff and newcomers agree that the internship/conversion system is extremely effective for ensuring a good employee/employer fit. (While all of those interviewed for this report like the system, a number of the younger staff did express the opinion that two years is probably a longer probationary period than really necessary.) Anyone who is interested in a job at GAO can also register on GAO's website and automatically be notified of openings.

At the same time, many of those interviewed for this report said that other GAO policies, like flextime and the student loan repayment program, were added benefits that made the agency an attractive place to come to work.

Lesson 4: The Need to Beef Up Investments in the Selection and Training of Managers

As discussed earlier, creating systems that offer managers more discretion demand an investment in management and management training. One of the methods that GAO uses to determine where investments may be needed is the agency's annual employee survey. Within the survey there is a subset of leadership-related questions that assess just how effective managers are performing and areas that may be in need of targeted improvement. The leadership-related areas that are assessed include employee empowerment, trust, recognition, decisiveness, leading by example, and work life. Table A.4 of the Appendix shows the questions GAO uses in computing the leadership measure, as well as survey results from fiscal years 2003 and 2004.

Human Capital Officer Hoskins says he understands employee concerns about the quality of management in a new HR world. He says any large organization is always going to harbor some weaker performers, but points out that according to GAO employee surveys, employee confidence in management has gone up since 2002. However, he agrees that middle managers need to be trained. "We continually train managers on their supervisory roles and responsibilities. We continually tell them that employees need constant and clear feedback; you can't just tell an employee they're doing OK. At the

same time, though, employees have responsibility to be active in asking for feedback, too."

Managers interviewed for this report noted that GAO did offer a wide range of training opportunities, both in house and off site, and reported that for the most part such training was helpful.

Clearly, though, how managers are recruited, selected, and trained becomes all that more important in a new, more flexible HR environment, particularly one that emphasizes performance and results as the basic touchstones of employee evaluation.

Lesson 5: The Need for a Fair, Unbiased, and Transparent System for Hearing Employee Appeals Absent Certain Traditional Civil Service Protections for Employees

Fears that political pressure might be brought to bear on career staff have continued, fueled by anecdotes. Reports that some career staff at the Social Security Administration were pressured to toe an administration line on a looming Social Security crisis added more fuel to the concerns. Don Kettl, director of the Fells Institute of Government at the University of Pennsylvania, says he believes that worries about political influence being wielded under a more flexible system are well founded. "There's a real risk that people who have the opportunity to use [human capital management] discretion will use it for political purposes. I think there's a substantial risk of political interference, particularly when it comes to the regulatory world."

Which is why any system that involves a substantial rollback of traditional civil service protections for employees is going to have to backfill with some other mechanism for ensuring the integrity of human capital management generally, argue proponents of updated human capital management systems. That includes creating some mechanism of appeals for adverse job action that is credible and transparent. "It is extremely important that employees perceive that the system is fair," says MSPB's Nelson.

GAO employees can grieve a wide range of personnel-related decisions (e.g., performance ratings, certain

types of suspension, and official reprimands). GAO has a three-step procedure for hearing grievances. Under first-step procedures, employees are strongly encouraged to discuss problems with supervisors and managers, who are encouraged to try to informally resolve the issue. If a grievance presented under this step is not resolved, it goes to the unit head, regional director, or other appropriate official. In such cases, the deciding official provides a written decision to the employee. If the employee is still not satisfied, he or she may pursue the third and final step in the regular grievance process—review by the chief operating officer.

Specifically excluded from grievance processes at GAO are the content of GAO orders and policies, nonselection for promotion from a group of properly certified competing candidates, and failure to receive a non-competitive promotion. GAO's current administrative grievance order identifies 22 such exclusions in all.

Discrimination claims are handled by GAO's Office of Opportunity and Inclusiveness (OOI). Employees also have the right to seek relief from the GAO Personnel Appeals Board (PAB) and the federal district courts. However, with limited exceptions, employees must first exhaust their administrative remedies at OOI before filing a discrimination case with either the PAB or going to court. Claims regarding prohibited personnel practices (such as the failure of the agency to follow a rule or regulation impacting a merit system principle) and adverse actions (such as removals) are filed with the PAB.

GAO employees generally expressed confidence in the agency's grievance process. No employees suggested that they'd ever been pressured to alter any part of a report due to political considerations or that they'd been treated a certain way because of their own political views. (There were complaints about what some view as an overly liberal policy when it comes to allowing review and comment on reports, generally. And there were employees who think the agency has become overly circumspect— less hard-hitting—in how it apportions responsibility in its reports. But none of those complaints was put down to overt political pressure.)

Conclusion: The Need for a Coherent Federal Human Capital Policy

While the Comptroller General says that he wants GAO to be a beacon for other federal agencies, he himself has expressed concern about a piece-meal—that is, federal department by federal department—approach to reform.

In testimony to Congress, Walker noted: "In our view, it would be preferable to employ a government-wide approach to address certain flexibilities that have broad-based application and serious potential implications for the civil service system, in general, and the Office of Personnel Management, in particular. We believe that several of the reforms that DoD is proposing fall into this category (e.g., broad-banding, pay for performance, re-employment, and pension offset waivers). In these situations, it may be prudent and preferable for the Congress to provide such authorities on a government-wide basis and in a manner that assures that appropriate performance management systems and safeguards are in place before the new authorities are implemented by the respective agency."

If Walker has concerns about the overall federal human capital management reform effort, public sector employee unions are highly skeptical about the push for freer, more flexible human capital management systems. As far as GAO being a potential model, says Colleen Kelley, president of the National Treasury Employees Union, "I'm familiar with what David Walker is trying and says he's accomplished. And if they've moved off the General Schedule, then maybe they've learned some things; I think what they're doing should be watched, but including the mistakes."

Even if GAO offers lessons to learn, though, Kelley wonders about the rest of government's willingness to pay attention to those lessons. She points out that the Comptroller General has testified on the importance of setting up a credible, third-party review of employee appeals under any pay-for-performance system. "And that's not going to happen at DHS," she says. "He talks about getting employees involved in establishing core competencies. That's not happening at DHS, either," she says. Nor is DHS working with employees in developing the new agency's employee performance evaluation standards, says Kelley.

If the administration were really sincere about improving human capital management, they would pay closer attention to what's gone on at GAO, she argues. Furthermore, reformers would not be so eager to expand efforts to other parts of the federal government without at least waiting to see how the changes play out at places like DHS. "I think it would be irresponsible for anyone else to adopt this system before it gets tested out," says Kelley.

MSPB's Nelson notes that current plans for human capital transformation at Defense and Homeland Security do include significantly beefed up training for managers, in line with lessons learned at GAO. "At least there's lots of rhetoric about providing enough money to train managers in things like how to give feedback, conflict resolution, and interpersonal relationships."

Of course, many opponents of taking federal agencies out from under the General Schedule and OPM argue that such efforts have more to do with politics than with management. It is always hard to separate the two, says Kettl. "Nothing in the public sector human resources world ever happens for purely managerial reasons; everything has a political angle."

Yet GAO is probably not the best place for testing the politicization of the human capital thesis, because it doesn't provide services directly to the American public. Conceivably, some Comptroller General might try to use his or her influence through a more "subjective" human capital system to pressure employees when it comes to audit and research findings. There is absolutely no evidence that is a problem at GAO. At the same time, it is hard to argue that the office has a whole lot in common with, say, the Environmental Protection Agency or the Department of Housing and Urban Development when it comes to predicting potential political abuses due to a more flexible human capital management system.

The bottom line, though, is that there is clear and growing pressure to significantly revamp the entire federal civil service system, for better or for worse. More significant, there seems to be a growing *political* consensus that such change is necessary. And so to the extent that the rest of the federal government is willing to pay attention, the human capital initiatives at GAO are certainly worth studying.

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Appendix: Results from GAO's Employee Feedback Survey

Table A.1: People Measures—Organizational Climate (percent of staff responding favorably)

Organizational Climate Measure	FY03	FY04
A spirit of cooperation and teamwork exists in my work	73%	78%
I am treated fairly and with respect	74%	77%
My morale is good	67%	69%
Sufficient effort is made to get the opinions and thinking of people	67%	74%
Overall I am satisfied with my job at GAO	74%	74%
Average	**71%**	**74%**

Table A.2: People Measures—Staff Development (percent of staff responding favorably)

Staff Development Measure	FY03	FY04
Internal training (delivered by GAO staff or contractors)	63%	68%
External training/conferences	85%	86%
On-the-job training I received	69%	72%
Computer-based training delivered by Internet, IPTV or CD	25%	57%
Average	**67%**	**70%**

Table A.3: People Measures—Staff Utilization (percent of staff responding favorably)

Staff Utilization Measure	FY03	FY04
My job made good use of my skills and abilities	71%	72%
GAO provided me with opportunities to do challenging work	69%	70%
In general, I was used effectively	73%	74%
Average	**71%**	**72%**

Table A.4: People Measures—Leadership (percent of staff responding favorably)

Leadership Measure	FY03	FY04
Gave me the opportunity to do what I do best	79%	79%
Treated me fairly	86%	87%
Acted with honesty and integrity toward me	85%	86%
Gave me the sense my work is valued	75%	77%
Ensured a clear link between my performance and recognition of it	69%	72%
Provide meaningful incentives for high performance	57%	58%
Implemented change effectively	74%	75%
Dealt effectively with EEO and discrimination issues	92%	92%
Demonstrated GAO's core values	86%	88%
Made decisions in a timely manner	76%	77%
Average	**78%**	**79%**

Table A.5: Comparison of Staff and Management on the 2003 People Measures
(percent of staff responding favorably)

	Organizational Climate	Staff Development	Staff Utilization	Leadership
GAO-wide	71.3%	67.3%	70.9%	77.8%
Staff	69.9%	67.9%	67.6%	76.8%
Band III, Managerial/ Supervisor Mission Support, and Assistant General Counsel and SES/SL	81.4%	67.1%	86.8%	84.0%

Table A.6: Comparison of Staff and Management on the 2004 People Measures
(percent of staff responding favorably)

	Organizational Climate	Staff Development	Staff Utilization	Leadership
GAO-wide	74.4%	69.8%	71.9%	78.9%
Staff	71.6%	69.1%	67.4%	77.0%
Band III, Managerial/ Supervisor Mission Support, and Assistant General Counsel and SES/SL	83.9%	72.3%	87.9%	85.2%

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