FEDERAL WORKFORCE

Sustained Attention to Human Capital Leading Practices Can Help Improve Agency Performance

Statement of Robert Goldenkoff
Director, Strategic Issues

Accessible Version
**Why GAO Did This Study**

A careful consideration of federal pay is an essential part of fiscal stewardship and is necessary to support the recruitment and retention of a talented, agile, and high-performing federal workforce. High-performing organizations have found that the life-cycle of human capital management activities—including workforce planning, recruitment, on-boarding, compensation, engagement, succession planning, and retirement programs—need to be aligned for the cost-effective achievement of an organization’s mission. However, despite some improvements, strategic human capital management—and more specifically, skills gaps in mission critical occupations—continues to be a GAO high-risk area.

This testimony is based on a body of GAO work primarily issued between June 2012 and March 2017. It focuses on (1) lessons learned in creating a market driven, results-oriented approach to federal pay, and (2) opportunities, in addition to pay and benefits, that OPM and agencies could use to be more competitive in the labor market and address skills gaps.

**What GAO Recommends**

Over the years, GAO has made recommendations to agencies and OPM to improve their strategic human capital management efforts. OPM and agencies generally concurred. This testimony discusses actions taken to implement key recommendations to improve federal hiring and classification.

**What GAO Found**

GAO’s prior work has shown that implementing a market-based and more performance-oriented federal pay system is both doable and desirable, and should be part of a broader strategy of change management and performance improvement initiatives. In 2005, GAO identified the following key themes that highlight the leadership and management strategies high-performing organizations collectively considered in designing and managing a pay system that is performance oriented, affordable, and sustainable. Specifically, they:

1. Focus on a set of values and objectives to guide the pay system.
2. Examine the value of employees’ total compensation to remain competitive in the labor market.
3. Build in safeguards to enhance the transparency and ensure the fairness of pay decisions.
4. Devolve decision-making on pay to appropriate levels.
5. Provide clear and consistent communication so that employees at all levels can understand how compensation reforms are implemented.
6. Build consensus to gain ownership and acceptance for pay reforms.
7. Monitor and refine the implementation of the pay system.

While the federal compensation system may need to be re-examined, Congress has already provided agencies with tools and flexibilities to build and maintain a high-performing workforce. They include, for example:

**Hiring process**

GAO reported in 2016 that the Office of Personnel Management (OPM) and selected agencies had not evaluated the effectiveness of hiring authorities. By evaluating them, of which over 100 were used in 2014, OPM and agencies could identify ways to expand access to those found to be more effective, and eliminate those found to be less effective.

**General Schedule (GS) classification system**

The federal government has become more highly skilled and specialized than the GS classification system was designed to address at its inception in 1949. OPM and stakeholders should examine ways to make the classification system consistent with attributes GAO identified of a modern, effective classification system, such as internal and external equity.

**Performance management**

Credible and effective performance management systems are a strategic tool to achieve organizational results. These systems should emphasize “a line a sight” between individual performance and organizational success, and use core competencies to reinforce organizational objectives, among other things.

**Human resources capacity**

The human resources specialist occupation is a mission critical skills gap area. Chief Human Capital Officers have reported that human resources specialists do not have the skills to lead strategic human capital management activities. Strengthening this capacity could help agencies better meet their missions.
Chairman Chaffetz, Ranking Member Cummings, and Members of the Committee,

I am pleased to be here today to discuss the federal compensation system and how to modernize it, as well as additional steps beyond pay and benefits that agencies can take to better compete in the labor market. Our work has shown that a careful consideration of federal pay is essential to fiscal stewardship and is necessary to support the recruitment and retention of a talented, agile, and high-performing federal workforce. It is Congress’s policy that pay for federal workers in the General Schedule (GS), the pay system covering the majority of federal workers,1 be in line with pay for comparable nonfederal workers.2

High-performing organizations have found that the full life-cycle of human capital management activities—including workforce planning, recruitment, on-boarding, compensation, engagement, succession planning, and retirement programs—need to be fully aligned and focused on the cost-effective achievement of an organization’s mission. However, despite some improvements in the federal government’s management of its personnel in recent years, strategic human capital management—and more specifically, the need for the Office of Personnel Management (OPM) and agencies to address skills gaps in mission critical occupations—continues to be a GAO high risk area.3

Importantly, the impact of skills gaps goes beyond the occupations themselves and can adversely affect the performance of an entire organization. For example, of the 34 areas on our 2017 High-Risk list (excluding strategic human capital management), skills gaps played a

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1Excluding the U.S. Postal Service.

25 USC 5301.

role in making 15 areas high-risk, and included information technology management, and acquisitions, and veterans’ health care, among others.

In my remarks today, I will discuss (1) lessons learned in creating a more market-driven, results-oriented approach to federal pay, and (2) opportunities in addition to pay and benefits that OPM and agencies could use to be more competitive in the labor market and address skills gaps.

The bottom line is that, while the federal compensation system may need to be re-examined, it will also be important for agencies to make better use of the management tools already available to them. Indeed, more effective use of hiring flexibilities, adopting leading human capital management practices, and strengthening the capacity of agencies’ human resource offices could significantly improve executive branch personnel management, and thus help agencies to better carry out their missions in an era of highly constrained resources.

My testimony is based on our large body of work on federal human capital management issued primarily between June 2012 and March 2017. In addition, we conducted follow-up on recommendations made in prior reports through interviews with agency officials. More detailed information on our objectives, scope, and methodology for that work can be found in the issued report. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

4The complete list of areas in our high-risk report that feature skills gap findings includes: Management of Federal Oil and Gas Resources; Managing Federal Real Property; Improving the Management of IT Acquisitions and Operations; Department of Defense (DOD) Business Systems Modernization; DOD Financial Management; Strengthening Department of Homeland Security (DHS) Management Functions; Ensuring the Security of Federal Information Systems and Cyber-Critical Information and Protecting the Privacy of Personally Identifiable Information; Protecting Public Health through Enhanced Oversight of Medical Products; Transforming the Environmental Protection Agency’s (EPA) Processes for Assessing and Controlling Toxic Chemicals; DOD Contract Management; Department of Energy (DOE)’s Contract Management for the National Nuclear Security Administration and Office of Environmental Management; National Aeronautics and Space Administration (NASA) Acquisition Management; Enforcement of Tax Laws; Managing Risks and Improving Department of Veterans Affairs (VA) Health Care; and Improving Federal Management of Indian Programs.
As we reported earlier this year, mission-critical skills gaps within the federal workforce pose a high risk to the nation. Regardless of whether the shortfalls are in such government-wide occupations as cybersecurity and acquisitions, or in agency-specific occupations such as nurses at the Veterans Health Administration, skills gaps impede the federal government from cost-effectively serving the public and achieving results.

Agencies can have skills gaps for different reasons: they may have an insufficient number of people or their people may not have the appropriate skills or abilities to accomplish mission-critical work. Moreover, current budget and long-term fiscal pressures, the changing nature of federal work, and a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge, threaten to aggravate the problems created by existing skills gaps.

According to our analysis of OPM data, government-wide more than 34 percent of federal employees on-board by the end of fiscal year 2015 will be eligible to retire by 2020 (see figure 1). Some agencies, such as the Department of Housing and Urban Development, will have particularly high eligibility levels by 2020. Various factors can affect when individuals actually retire, and some amount of retirement and other forms of attrition can be beneficial because it creates opportunities to bring fresh skills on board and it allows organizations to restructure themselves to better meet program goals and fiscal realities. But if turnover is not strategically monitored and managed, gaps can develop in an organization’s institutional knowledge and leadership.

\(^5\)GAO-17-317.
Notes: Our calculations include permanent employees in the competitive service, the excepted service, and the senior executive service with all work schedules (e.g. full time, part time, seasonal, and intermittent). Retirement eligibility is not affected by work schedule. Temporary and term employees are excluded.

"Eligible to retire" is defined as the year in which a person is first eligible for retirement with unreduced annuity.

Data are from the OPM Enterprise Human Resources Integration (EHRI) database.

EHRI covers federal civilian employees at most Executive Branch agencies and some Legislative Branch agencies. Among those agencies excluded from EHRI are the Central Intelligence Agency and other intelligence organizations; the U.S. Postal Service; Tennessee Valley Authority; and the White House.

The total number of employees included in our calculations on January 17, 2017 is 1,712,547.

While numerous tools are available to help agencies address their talent needs, our past work has identified problems across a range of personnel systems and functions. For example:
• Classification system: The GS system has not kept pace with the government’s evolving requirements.6

• Recruiting and hiring: Federal agencies need a hiring process that is applicant friendly, flexible, and meets policy requirements.7

• Pay system: Employees are compensated through an outmoded system that (1) rewards length of service rather than individual performance and contributions, and (2) automatically provides across-the-board annual pay increases, even to poor performers.8

• Performance management: Developing modern, credible, and effective employee performance management systems and dealing with poor performers have been long-standing challenges for federal agencies.9

• Employee engagement: Additional analysis and sharing of promising practices could improve employee engagement and performance.10

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Lessons Learned in Creating a Results-Oriented Approach to Federal Pay

Key Elements of General Schedule Pay System

As we reported in 2012, Congress’s policy calls for federal workers’ pay under the GS system to be aligned with comparable nonfederal workers’ pay.11 Across-the-board pay adjustments are to be based on private sector salary growth.12 Locality adjustments are designed to reduce the gap between federal and nonfederal pay in each locality to no more than 5 percent. The President’s Pay Agent is the entity charged with determining the disparities between federal and nonfederal pay in each locality; it measures federal pay based on OPM records that identify GS employees by occupation and grade level, and nonfederal pay based on U.S. Bureau of Labor Statistics data (BLS).13 In 2012, the Pay Agent has recommended that the underlying model and methodology for estimating pay gaps be reexamined to ensure that private sector and federal sector pay comparisons are as accurate as possible. As of December 2016, no such reexamination has taken place.

The across-the-board and locality pay increases may be made every year, and are not linked to performance.14 Pay increases and monetary awards that are linked to performance ratings as determined by the agencies’ performance appraisal systems include within-grade increases, ratings-based cash awards, and quality step increases, and are available to GS employees. Within-grade increases are the least strongly linked to


12Specifically, pay rates are to be increased by the 12-month percentage increase in the wage and salary component of the Employment Cost Index for private sector workers, minus one-half of one percentage point. However, the President may decide to provide an alternative pay adjustment based on national emergency or serious economic conditions affecting the general welfare. Additionally, Congress may legislate an increase that is different from the formula increase or the President’s alternative adjustment.

13Similar to the across-the-board adjustments, instead of following the recommendation of the Pay Agent, the President may provide an alternative pay adjustment based on national emergency or serious economic conditions and Congress may legislate a different increase.

14In 2011, 2012, and 2013, there was neither an across-the-board nor locality pay increase due to a government-wide pay freeze.
performance, ratings-based cash awards are more strongly linked to performance depending on the rating system the agency uses, and quality step increases are also more strongly linked to performance.

The composition of the federal workforce has changed over the past 30 years, with the need for clerical and blue collar roles diminishing and professional, administrative, and technical roles increasing. As a result, today’s federal jobs require more advanced skills at higher grade levels than in years past. Additionally, we have found that federal jobs, on average, require more advanced skills and degrees than private sector jobs. This is because a higher proportion of federal jobs than nonfederal are in skilled occupations such as science, engineering, and program management, while a lower proportion of federal jobs than nonfederal are in occupations such as manufacturing, construction, and service work. The result is that the federal workforce is on average more highly educated than the private sector workforce.

As we reported in 2014, a key federal human capital management challenge is how best to balance the size and composition of the federal workforce so that it is able to deliver the high quality services that taxpayers demand, within the budgetary realities of what the nation can afford. Recognizing that the federal government’s pay system does not align well with modern compensation principles (where pay decisions are based on the skills, knowledge, and performance of employees as well as the local labor market), Congress has provided various agencies with exemptions from the current system to give them more flexibility in setting pay. Thus, a long-standing federal human capital management question is how to update the entire federal compensation system to be more market based and performance oriented. This type of system is a critical component of a larger effort to improve organizational performance.

Lessons Learned in Creating a Market-Driven, Results-Oriented Pay System

Our 2005 work showed that implementing a more market-based and more performance-oriented pay system is both doable and desirable.16

However, we also found that it is not easy. For one thing, agencies should have effective performance management systems that link individual expectations to organizational results. Moreover, representatives of public, private, and nonprofit organizations, in discussing the successes and challenges they have experienced in designing and implementing their own results-oriented pay systems, told us at the time they had to shift from a culture where compensation is based on position and longevity to one that is performance-oriented, affordable and sustainable.

As we have reported in the past, these organizations’ experiences with their own market-based and performance-oriented pay systems provide useful lessons learned that will be important to consider to the extent the federal government moves toward a more results-oriented pay system. Lessons learned identified in our 2005 report include the following:17

1. Focus on a set of values and objectives to guide the pay system. Values represent an organization’s beliefs and boundaries, and objectives articulate the strategy to implement the system.

2. Examine the value of employees’ total compensation to remain competitive in the labor market. Organizations consider a mix of base pay plus other monetary incentives, benefits and deferred compensation, such as retirement pay, as part of a competitive compensation system.

3. Build in safeguards to enhance the transparency and ensure the fairness of pay decisions. Safeguards are the precondition to linking pay systems with employee knowledge, skills, and contributions to results.

4. Devolve decision-making on pay to appropriate levels. When devolving such decision making, overall core processes help ensure reasonable consistency in how the system is implemented.

5. Provide training on leadership, management, and interpersonal skills to facilitate effective communication. Such skills as setting expectations, linking individual performance to organizational results, and giving and receiving feedback need renewed emphasis to make such systems succeed.

6. Build consensus to gain ownership and acceptance for pay reforms. Employee and stakeholder involvement needs to be meaningful and not pro forma.

17GAO-05-832SP.
7. Monitor and refine the implementation of the pay system. While changes are usually inevitable, listening to employee views and using metrics helps identify and correct problems over time.

Additional Steps Agencies Can Take to Be Competitive in the Labor Market and Address Skills Gaps

Agency Actions Can Help Transform Personnel Management

Our prior work has found that across a range of human capital functions, while in some cases statutory changes may be needed to advance reforms, in many instances improvements are within the control of federal agencies. These improvements include such actions as improving the coordination of hiring specialists and hiring managers on developing recruitment strategies and up-to-date position descriptions in vacancy announcements. Indeed, Congress has already provided agencies with a number of tools and flexibilities to help them build and maintain a high-performing workforce. Going forward, it will be important for agencies to make effective use of those tools and for Congress to hold agencies accountable for doing so.

Among other things, our work has shown that the tone starts at the top. Agency leaders and managers should set an example that human capital is important and is directly linked to performance—it is not a transactional function. As we noted in our 2017 high-risk update, agencies can drive improvements to their high risk areas—including strategic human capital management—through such steps as:

- Sustained leadership commitment, including developing long-term priorities and goals, and providing continuing oversight and accountability;
- Ensuring agencies have adequate capacity to address their personnel issues, including collaborating with other agencies and stakeholders as appropriate;
- Identifying root causes of problems and developing action plans to address them, including establishing goals and performance measures;
• Monitoring actions by, for example, tracking performance measures and progress against goals; and

• Demonstrating progress by showing issues are being effectively managed and root causes are being addressed.\(^\text{18}\)

Our list of leading human capital management practices may be helpful as well. Covering such activities as strategic workforce planning, recruitment and hiring, workforce development, and employee engagement, among others, agencies can use this information to strengthen how they recruit, retain, and develop their employees and Congress can hold agencies accountable for using them.\(^\text{19}\)

OPM has taken some important steps as well. For example, in December 2016, OPM finalized revisions to its strategic human capital management regulation that include the new Human Capital Framework.\(^\text{20}\) This framework is to be used in 2017 by agencies to plan, implement, evaluate, and improve human capital policies and programs.

Our recent work on federal hiring, classification, addressing poor performance, and the capacity of federal human resource functions are illustrative of some of the areas in need of attention.

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**Hiring Process Could Be Improved by Refining, Consolidating, or Eliminating Less Effective Authorities**

To help ensure agencies have the talent they need to meet their missions, we have found that federal agencies should have a hiring process that is simultaneously applicant friendly, sufficiently flexible to enable agencies to meet their needs, and consistent with statutory

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\(^\text{18}\)\text{GAO-17-317.}

\(^\text{19}\)\text{http://www.gao.gov/key_issues/leading_practices_in_human_capital_management/issue_summary.}

requirements, such as hiring on the basis of merit. Key to achieving this is the hiring authority used to bring applicants onboard.

Congress and the President have created a number of hiring authorities to expedite the hiring process or to achieve certain public policy goals, such as facilitating the entrance of certain groups into the civil service. As we reported in 2016, we found that of the 105 hiring authorities used in fiscal year 2014, agencies relied on 20 of those authorities for 91 percent of the 196,226 new appointments made that year. OPM officials said at the time they did not know if agencies relied on a small number of authorities because agencies are unfamiliar with other authorities, or if they have found other authorities to be less effective.

Although OPM tracks such data as agency time-to-hire, we found this information was not used by OPM or agencies to analyze the effectiveness of hiring authorities. As a result, OPM and agencies did not know if authorities were meeting their intended purposes. By analyzing hiring authorities, OPM and agencies could identify opportunities to refine authorities, expand access to specific authorities found to be highly efficient and effective, and eliminate those found to be less effective.

We recommended that OPM, working with agencies, strengthen hiring efforts by (1) analyzing the extent to which federal hiring authorities are meeting agencies’ needs, and (2) using this information to explore opportunities to refine, eliminate, or expand authorities as needed, among other recommendations. OPM concurred with our recommendations, and reported it had reviewed hiring authorities related to the entry-level Pathways Program and for hiring seasonal employees.

The GS System Could Better Balance Attributes of a Modern, Effective Classification System

The GS classification system is a mechanism for organizing federal white-collar work—notably for the purpose of determining pay—based on a

21GAO-16-521.

22A hiring authority is the law, executive order, or regulation that allows an agency to hire a person into the federal civil service.

23GAO-16-521.

24GAO-16-521.
position’s duties, responsibilities, and difficulty, among other things. A guiding principle of the GS classification system is that employees should earn equal pay for substantially equal work.

We and others have found that the work of the federal government has become more highly skilled and specialized than the GS classification system was designed to address when it was created in 1949 when most of the federal workforce was engaged in clerical work. While there is no one right way to design a classification system, in 2014, we identified eight key attributes that are important for a modern, effective classification system. Collectively, these attributes provide a useful framework for considering refinements or reforms to the current system. These key attributes are described in table 1.

Table 1: Attributes of a Modern, Effective Classification System

<table>
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<tr>
<th>Attribute</th>
<th>Description</th>
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<tr>
<td><strong>Internal equity</strong></td>
<td>All employees with comparable qualifications and responsibilities for their respective occupations are assigned the same grade level.</td>
</tr>
<tr>
<td><strong>External equity</strong></td>
<td>All employees with comparable qualifications and responsibilities are assigned grade levels and corresponding pay ranges comparable to the nonfederal sector.</td>
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<tr>
<td><strong>Transparency</strong></td>
<td>A comprehensible and predictable system that employees, management, and taxpayers can understand.</td>
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<tr>
<td><strong>Flexibility</strong></td>
<td>The ease and ability to modify the system to meet agency-specific needs and mission requirements, including modifying rates of pay for certain occupations to attract a qualified workforce, within the framework of a uniform government-wide system.</td>
</tr>
<tr>
<td><strong>Adaptability</strong></td>
<td>The ease and ability to conduct a periodic, fundamental review of the entire classification system that enables the system to evolve as the workforce and workplace change.</td>
</tr>
<tr>
<td><strong>Simplicity</strong></td>
<td>A system that enables interagency mobility and comparisons, with a rational number of occupations and clear career ladders with meaningful differences in skills and performance, as well as a system that can be cost-effectively maintained and managed.</td>
</tr>
<tr>
<td><strong>Rank-in-position</strong></td>
<td>A classification of positions based on mission needs and then hiring individuals with those qualifications.</td>
</tr>
<tr>
<td><strong>Rank-in-person</strong></td>
<td>A classification of employees based on their individual skills and abilities.</td>
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Source: GAO analysis. | GAO-17-627T

We concluded in 2014 that the inherent tension between some of these attributes, and the values policymakers and stakeholders emphasize could have large implications for pay, the ability to recruit and retain mission critical employees, and other aspects of personnel management. This is one reason why—despite past proposals—changes to the current system have been few, as finding the optimal mix of attributes that is acceptable to all stakeholders is difficult.

25GAO-14-677.
In 2014, we recommended that OPM (1) work with stakeholders to examine ways to modernize the classification system, (2) develop a strategy to track and prioritize occupations for review and updates, and (3) develop cost-effective methods to ensure agencies are classifying correctly.\(^\text{26}\) OPM partially concurred with the first and third recommendation but did not concur with the second recommendation. Instead, OPM officials said they already tracked and prioritized occupations for updates. However, they were unable to provide documentation of their actions. In April 2017, OPM officials said they meet regularly with the interagency classification policy forum to inform classification implementation and had reviewed and canceled 21 occupational series that were minimally used by agencies.

Opportunities Exist to Strengthen Performance Management and Deal with Poor Performers

In our 2015 report, we noted how federal agencies’ ability to address poor performance has been a long-standing issue.\(^\text{27}\) Employees and agency leaders share a perception that more needs to be done to address poor performance, as even a small number of poor performers can affect agencies’ capacity to meet their missions. More generally, without effective performance management, agencies risk losing (or failing to utilize) the skills of top talent. They also may miss the opportunity to observe and correct poor performance.

Among other things, we found effective performance management helps agencies establish a clear “line of sight” between individual performance and organizational success and using core competencies helps to reinforce organizational objectives. Agencies should also make meaningful distinctions in employee performance levels. However, we found that 99 percent of permanent, non-senior executive service employees in 2013 received a rating at or above fully successful, with around 61 percent rated as “outstanding” or “exceeds fully successful.”\(^\text{28}\)

\(^{26}\)GAO-14-677.  
\(^{27}\)GAO-15-191.  
Importantly, in 2015 we found that good supervisors are key to the success of any performance management system. Supervisors provide the day-to-day performance management activities that can help sustain and improve the performance of more talented staff and can help marginal performers to become better. As a result, agencies should promote people into supervisory positions because of their supervisory skills (in addition to their technical skills) and ensure that new supervisors receive sufficient training in performance management. Likewise, a cultural shift might be needed among agencies and employees to acknowledge that a rating of “fully successful” is already a high bar and should be valued and rewarded and that “outstanding” is a difficult level to achieve.

Further, in 2015 we found that probationary periods for new employees provide supervisors with an opportunity to evaluate an individual’s performance to determine if an appointment to the civil service should become final. However, some Chief Human Capital Officers (CHCO) said supervisors often do not use this time to make performance-related decisions about an employee’s performance because they may not know that the probationary period is ending or they have not had time to observe performance in all critical areas. In our prior work, we recommended that OPM educate agencies on ways to notify supervisors that an individual’s probationary period is ending and that the supervisor needs to make a decision about the individual’s performance and also to determine whether there are occupations in which the probationary period should extend beyond 1-year to provide supervisors with sufficient time to assess an individual’s performance. OPM concurred with the first recommendation and partially concurred with the second. In January 2017, OPM issued guidance to agency about supervisors notification of a probationary period ending, but officials said OPM had not taken action on extending the probationary period.

Opportunities Exist to Address Human Resources Capacity Challenges

In 2014, we found that many agency CHCO said their offices did not have the capacity to lead strategic human capital management activities such as talent management, workforce planning, and promoting high performance and a results-oriented culture. Instead, these offices

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remained focused on transactional human resource activities like benefits and processing personnel actions. As a result, officials said agency decision makers often did not seek out and draw upon the expertise of human capital experts to inform their deliberations. Perhaps further reflecting the varying capabilities of agency human capital offices across government, some CHCOs at the time said that agency leaders did not fully understand the potential for strategic human capital management and had not elevated the role of the human capital office to better support an agency’s operations and mission.

The human resources specialist occupation continues to be one of six government-wide, mission-critical skills gap areas identified by OPM. Our recent work on the Veterans Health Administration (VHA) demonstrates how capacity shortfalls in an agency’s personnel office can adversely impact an organization’s mission. Among other things, we found that the recruitment and retention challenges VHA is experiencing with its clinical workforce are due, in part to attrition among its human resource employees and unmet staffing targets within medical center personnel offices. We concluded that until VHA strengthens its human resource capacity, it will not be positioned to effectively support its mission to serve veterans’ healthcare needs. We made 12 recommendations to Veterans Affairs (VA) to improve the human resource capacity and oversight of human resource functions at its medical centers; develop a modern, credible employee performance management system; and establish clear accountability for efforts to improve employee engagement. VA concurred with nine recommendations and partially concurred with three recommendations to improve VHA’s performance management system.

Under OPM’s leadership, several steps have been taken as part of a cross agency group focused on improving the capacity of human resource specialists. For example, OPM reported that it increased registration in its Human Resources University and validated career path guides for classification, recruitment and hiring policy, and employee relations. As part of our ongoing oversight of OPM’s and agencies’ efforts to close government-wide mission critical skill gaps, we will continue to assess the progress being made in improving the human capital infrastructure within agencies needed to better support agencies’ planning and programmatic functions.

In conclusion, given the long-term fiscal challenges facing the nation and ongoing operational and accountability issues across government, agencies must identify options to meet their missions with fewer resources. The federal compensation system should allow the government to cost-effectively attract, motivate, and retain a high-performing, agile workforce necessary to meet those missions. At the same time, our work has shown that agencies already have a number of tools and flexibilities available to them that can significantly improve executive branch personnel management and do so sooner, rather than later. Going forward, it will be important to hold agencies accountable for fully leveraging those resources.

Chairman Chaffetz, Ranking Member Cummings, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time.

**GAO Contacts and Staff Acknowledgments**

If you or your staff have any questions about this statement, please contact Robert Goldenkoff at (202) 512-2757 or e-mail at goldenkoffr@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement.

GAO staff who made key contributions to this testimony include Chelsa Gurkin, Assistant Director; Dewi Djunaidy, Analyst-in-Charge; Ann Czapiewski; Karin Fangman; Krista Loose; Susan Sato; Cynthia Saunders; and Stewart W. Small.
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