



Highlights of [GAO-08-1019T](#), a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In 2003, Congress and the administration established a performance-based pay system for Senior Executive Service (SES) members that requires a link between individual and organizational performance and pay. Specifically, agencies are allowed to raise SES pay caps if their systems are certified by the Office of Personnel Management (OPM) with concurrence by the Office of Management and Budget (OMB) as meeting specified criteria.

GAO was asked to testify on preliminary results of ongoing work analyzing selected executive branch agencies' policies and procedures for their SES performance-based pay systems in the following areas: (1) factoring organizational performance into senior executive performance appraisal decisions, (2) making meaningful distinctions in senior executive performance, and (3) building safeguards into senior executive performance appraisal and pay systems. GAO selected the U.S. Departments of Defense (DOD), Energy (DOE), State, and the Treasury; the U.S. Nuclear Regulatory Commission (NRC); and the United States Agency for International Development (USAID) based on variations in agency mission, organizational structure, and size of their career SES workforces. To date, GAO has analyzed agencies' SES performance management policies and guidance and analyzed aggregate SES performance appraisal data as provided by the agencies for fiscal year 2007.

To view the full product, including the scope and methodology, click on [GAO-08-1019T](#). For more information, contact J. Christopher Migh at (202) 512-6806 or mihmj@gao.gov.

HUMAN CAPITAL

Selected Agencies Have Implemented Key Features of Their Senior Executive Performance-Based Pay Systems, but Refinements Are Needed

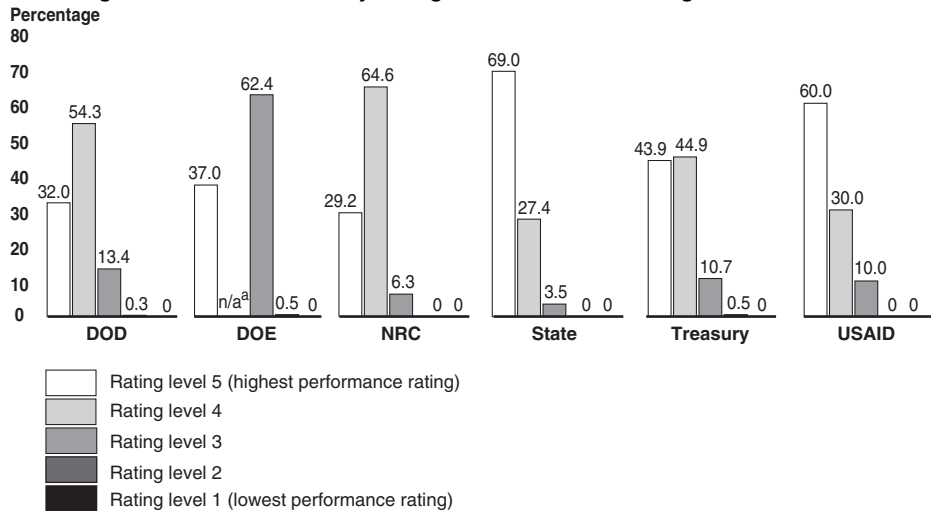
What GAO Found

Overall, the selected agencies are making positive steps toward three key areas related to OPM and OMB's certification criteria, with some opportunities for refinements in these areas.

Factoring organizational performance into senior executive performance appraisal decisions: All of the selected agencies have policies in place that require senior executives' performance expectations to be aligned with organizational results and organizational performance to be factored into appraisal decisions. Improvements in communicating organizational performance to reviewing officials could be made.

Making meaningful distinctions in senior executive performance: While all of the selected agencies have multiple rating levels in place for assessing senior executive performance, senior executives were concentrated at the top two rating levels in the fiscal year 2007 appraisal cycle, as shown below.

Percentage of Senior Executives by Rating Level at the Selected Agencies



Source: GAO analysis of agency data.

Note: DOE uses a four-level appraisal system.

Building safeguards into senior executive performance appraisal and pay systems: The selected agencies varied in how they implemented predecisional checks of appraisal recommendations through higher-level reviews and Performance Review Boards as well as transparency in the aggregate results with opportunities to improve communication of aggregate appraisal results to all senior executives.