



Highlights of [GAO-09-82](#), a report to congressional requesters

Why GAO Did This Study

Agencies are allowed to raise pay caps for their Senior Executive Service (SES) members if the Office of Personnel Management (OPM) certifies and the Office of Management and Budget (OMB) concurs that their appraisal systems meet applicable criteria. As requested, this report examines selected agencies' policies and procedures for (1) factoring organizational performance into SES appraisal decisions, (2) making meaningful distinctions in SES performance and (3) building safeguards into SES systems. Also, this report examines OPM and OMB oversight in certifying the pay systems through their statutory roles. GAO selected six agencies based on mission, structure, and number of career SES variations. GAO analyzed the agencies' policies and fiscal year 2007 aggregate SES appraisal data and OPM guidance.

What GAO Recommends

GAO recommends that the United States Agency for International Development (USAID) provide uniform organizational performance assessments to reviewing officials to help inform their executive appraisal recommendations. GAO makes several recommendations to OPM and OMB to strengthen its communication to agencies on certification decisions and to improve the efficiency of the certification process. USAID, OPM, and OMB generally agreed with the recommendations.

To view the full product, including the scope and methodology, click on [GAO-09-82](#). For more information, contact Robert Goldenkoff at (202) 512-6806 or goldenkoffr@gao.gov.

RESULTS-ORIENTED MANAGEMENT

Opportunities Exist for Refining the Oversight and Implementation of the Senior Executive Performance-Based Pay System

What GAO Found

Factoring organizational performance into senior executive appraisal decisions: All of the selected agencies—the U.S. Departments of Defense, Energy, State, and the Treasury; U.S. Nuclear Regulatory Commission; and USAID—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. While almost all of the agencies provided and communicated the importance of considering organizational performance, USAID did not provide its performance review board members (PRB) and other reviewing officials with any specific information on organizational performance to help inform their executive appraisal recommendations.

Making meaningful distinctions in senior executive performance: All of the selected agencies have multiple rating levels in place for assessing senior executive performance. For the fiscal year 2007 appraisal cycle, senior executives were concentrated at the top two rating levels, which raises questions about the extent to which meaningful distinctions based on relative performance are being made and how OPM applies this criterion. OPM has an opportunity to strengthen its communication with agencies and executives on the importance of using a range of rating levels when assessing performance while avoiding the use of forced distributions.

Building safeguards into senior executive performance appraisal and pay systems: All of the selected agencies have safeguards, including higher level reviews of performance appraisal recommendations, PRBs, and transparency in communicating the aggregate results, although agencies varied in how they implemented such safeguards.

While generally satisfied with OPM's and OMB's oversight, officials at the selected agencies said OPM could strengthen its communication with agencies and executives on how it uses the SES performance appraisal data and correlation between ratings and performance pay in determining whether agencies are making meaningful distinctions based on relative performance. Further communication from OPM is important in order for agencies to have a better understanding of how they are being held accountable for these certification criteria and make the necessary improvements to their systems to maintain certification. Further, senior-level officials at the selected agencies suggested options—such as moving to an electronic submission process and lengthening the certification coverage beyond 2 years once their systems are operating at the fully certified level—to increase the efficiency of the process. Moving forward, it will be important for OPM and OMB to identify ways to improve the certification process and make it more streamlined while ensuring that agencies have the guidance, tools, and training they need to implement effective performance appraisal and pay systems for their senior executives.