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# BY THE U.S. GENERAL ACCOUNTING OFFICE

## Report To The Director, Office Of Personnel Management

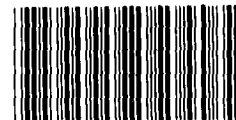
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### New Performance Appraisals Beneficial But Refinements Needed

Performance appraisal systems established by the Civil Service Reform Act of 1978 provided for the development of objective criteria for formally rating the performance of Federal employees. Ninety-five percent of all General Schedule employees covered under the act had been provided performance standards by October 1, 1981--the implementation date.

Major benefits of the new appraisal system have been improved communication and understanding of work requirements between employees and supervisors. However, many agencies need to further refine their systems to improve the quality of performance standards, the timeliness and manner of completing appraisals, and the use of appraisal results in making personnel decisions.

GAO recommends several ways in which the Office of Personnel Management could help agencies improve their performance appraisal systems.



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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

B-209522

The Honorable Donald J. Devine  
Director, Office of Personnel  
Management

Dear Dr. Devine:

This report summarizes the results of our review of agencies' implementation of performance appraisal systems for General Schedule employees. Although agencies did well to provide standards to virtually all employees and communication on performance standards increased, many agencies need further refinements to their appraisal systems.

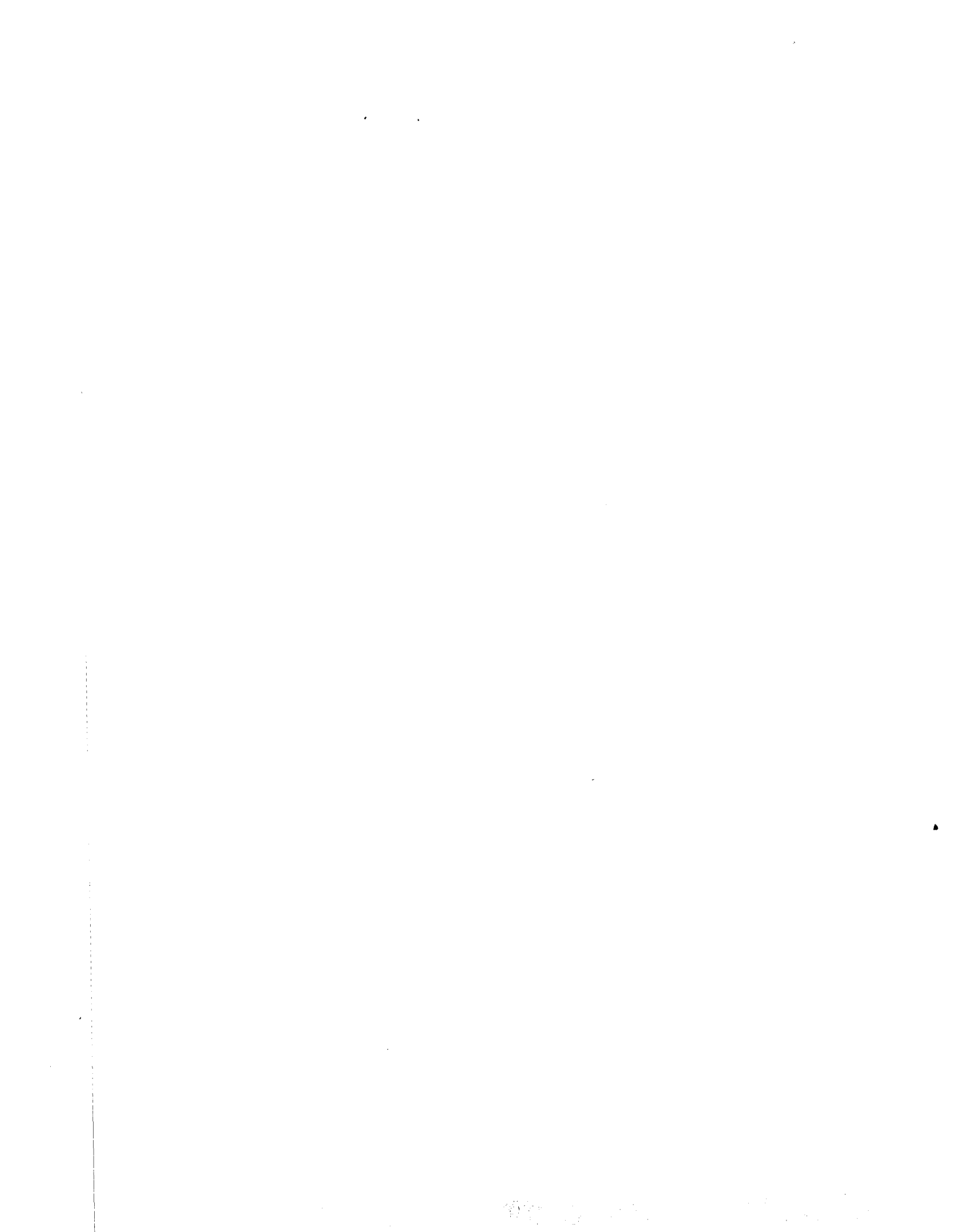
This report contains recommendations to you on pages 30 and 31. As you know, 31 U.S.C. §720 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget and to other interested parties.

Sincerely yours,

A handwritten signature in cursive script that reads "W. J. Anderson".

William J. Anderson  
Director



D I G E S T

The Civil Service Reform Act of 1978 directed Federal agencies to develop, to the maximum extent feasible, objective criteria for formally rating the performance of their employees. Supervisors are to use performance appraisals to recommend appropriate personnel actions, including rewards, promotions, and removals. The act gave agencies considerable latitude to design appraisal systems to meet their own needs.

The act requires GAO to review, on a selected basis, performance appraisal systems established under the act. GAO looked at how well nine agencies had implemented their performance appraisal systems for General Schedule employees. The systems' design and implementation was time consuming, and all agencies did well to provide performance plans and standards to 95 percent of their employees by the October 1, 1981, implementation date.

So far, the major benefit appears to be better communication between employees and supervisors. Employees who helped prepare their performance standards have gained a better understanding of their responsibilities and of their supervisors' expectations. Supervisors, in turn, have had to define job requirements more clearly and explicitly.

Still, many important aspects of the performance appraisal systems need major improvements, and a substantial amount of time and additional effort are required if performance appraisal systems are to become a credible basis for personnel actions. The following are among the areas requiring attention by the agencies and the Office of Personnel Management (OPM).

ISSUES IDENTIFIED IN THE  
STANDARD-SETTING PROCESS

GAO did an extensive analysis of the standard-setting process at three agencies which showed that:

- Many employees did not actively participate in setting their performance standards.
- Not all employees were advised of the standards by which their performance would be appraised at the beginning of appraisal periods.
- Performance standards often (1) were not clearly stated in measurable terms, (2) did not differentiate between performance levels, (3) failed to clearly identify unacceptable performance levels, (4) did not allow for the satisfactory level to be exceeded, and (5) were not improved or clarified in subsequent appraisal periods.

ISSUES IDENTIFIED IN THE WAY  
APPRAISALS ARE COMPLETED AND USED

- Some appraisals were not completed until long after the end of the appraisal period.
- Some agencies' procedures for determining an overall summary rating from ratings on individual elements and standards were unnecessarily complicated or ambiguous.
- Higher level officials' review of ratings, designed to help ensure that performance was objectively appraised, were often merely perfunctory.
- The agencies' procedures for linking performance appraisal results to personnel decisions were often vague, and employees did not perceive a direct relationship between appraisals and personnel decisions.

Section 4303 of title 5 was designed to make it easier for agencies to support performance-related adverse actions such as removals or reductions in grade. However, many agency officials do not believe the act has improved their ability to take such actions, and that section does not address denials of within-grade increases.

Evaluations of performance appraisal systems, by agencies or OPM, to identify problems and make improvements have been limited.

Similarly, more could be done to assess employee attitudes about performance appraisal and to identify ways to increase their confidence in the systems.

The results of GAO's work were discussed with responsible officials for all nine agencies reviewed, and they all concurred with GAO's analysis.

The development of performance appraisal systems that can reliably serve as a basis for making personnel decisions can take several years, even with extensive monitoring and evaluation. OPM needs to ensure that agencies take appropriate actions to make needed refinements to their appraisal systems.

#### CONCLUSIONS AND RECOMMENDATIONS

GAO cannot project that all the problems identified at the nine agencies reviewed apply to all Federal agencies. Problems with standard-setting, however, were prevalent in all three agencies where we did a 2-year analysis. Also, each of the nine agencies reviewed had some problems with the way appraisals were completed or used.

Many of the agencies' problems occurred in areas already covered to some degree by law, Federal regulations (5 CFR 430), or OPM guidance. Many of the provisions in the law and regulations are not specific and the differences in agencies' approved systems reflect this. OPM guidance is more specific and agencies were either not following or not fully complying with these provisions. Therefore, GAO believes the Director, OPM, should, pursuant to his responsibilities in the Civil Service Reform Act (5 U.S.C. 4304), direct agencies to take appropriate action that will result in:

- Establishing performance standards that, to the maximum extent feasible, contain quantity, quality, and timeliness measures and that clearly distinguish between performance levels.

- Requiring, rather than encouraging, employees to participate in the development of standards and receive them at the beginning of each appraisal period.
- Requiring that appraisals be completed, reviewed, and communicated to employees within a specified time after the end of appraisal periods, and that procedures for deriving summary ratings are more clear.
- Requiring some type of interim feedback be given to employees at least once during the appraisal period.
- Providing guidance on the establishment of clear and specific linkages between appraisal results and personnel decisions.
- Improving the evaluation of performance appraisal systems.

GAO recommends that the Director, OPM:

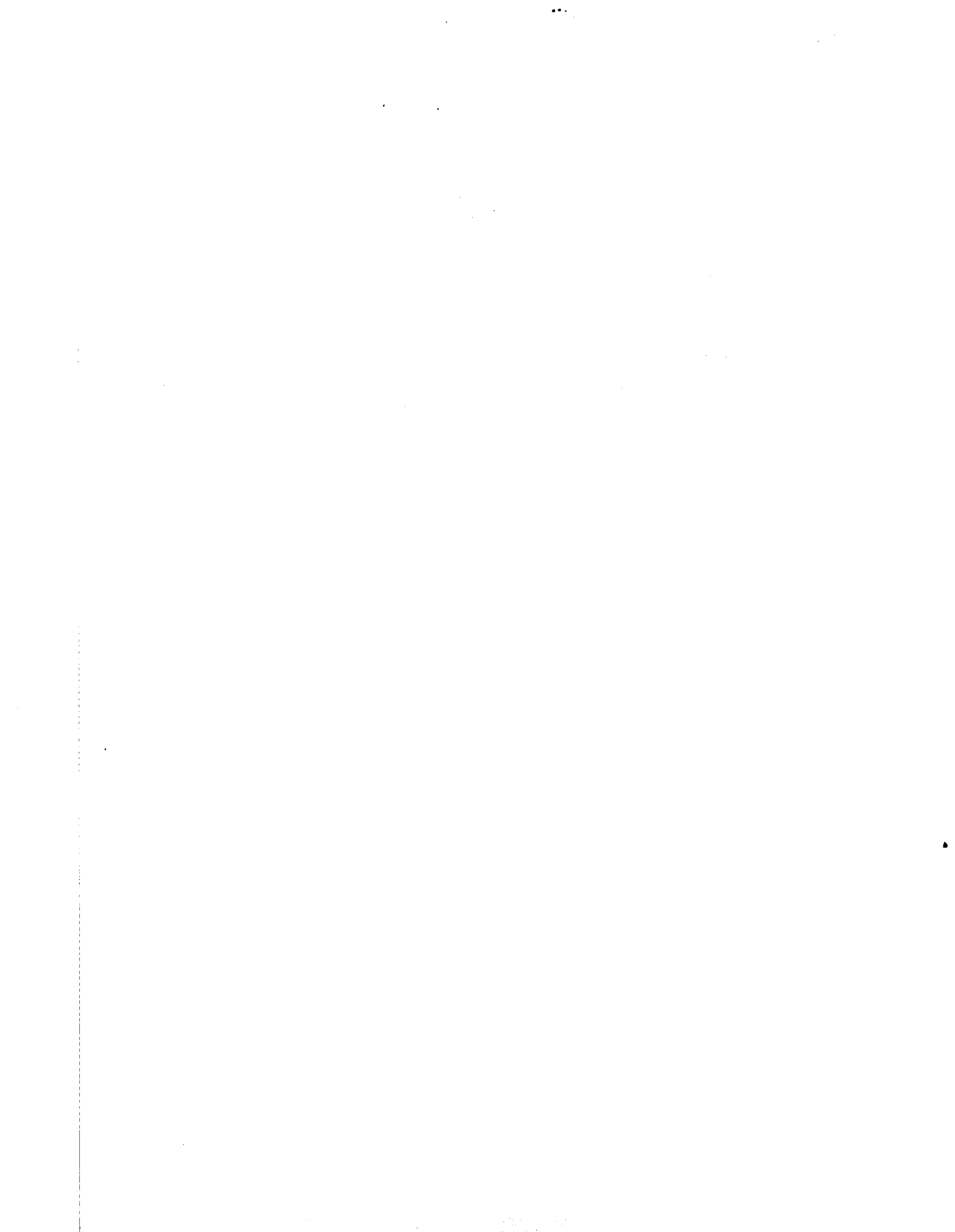
- Require a second level review of employees' performance standards at the beginning of appraisal periods to ensure that those standards contain, to the maximum extent feasible, the desired characteristics of objectivity and measurability.
- Research the potential value of generic standards for large occupational groups that agencies could use as a basis for developing specific standards for employees in those occupations.
- Develop and propose an amendment to the Civil Service Reform Act clearly stating that denying a within-grade increase is a performance-related action covered under section 4303.

#### AGENCY COMMENTS

OPM generally concurred with GAO's conclusions and recommendations. OPM agreed with GAO's recommendation that a second level review of employees' standards at the beginning of appraisal periods was necessary to ensure that standards are as objective and measurable as



possible. OPM had included such a provision in a comprehensive set of regulations it proposed in July 1983 dealing with performance appraisal, merit pay, awards, and a Performance Based Incentive System. OPM also agreed that providing generic standards for large occupational groups to agencies for use in developing more specific standards for employees in these occupations may be useful and will continue its research concerning this matter. OPM agreed in substance with GAO's recommendation that a within-grade increase be classified a performance-related action covered under section 4303 so that denying it requires only substantial evidence to support. OPM indicated that the Court of Appeals for the Federal Circuit will uphold decisions based on substantial evidence, despite the Third Circuit's decisions requiring the greater preponderance of evidence. However, OPM said that it is considering statutory changes which would have the effect of GAO's recommendation. OPM's specific comments are included in chapter 4 (see pp. 31 to 33).



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## ABBREVIATIONS

DOI	Department of the Interior
FTC	Federal Trade Commission
GAO	General Accounting Office
HUD	(Department of) Housing and Urban Development
IAG	Interagency Advisory Group
ICC	Interstate Commerce Commission
MSPB	Merit Systems Protection Board
NPS	National Park Service
OPM	Office of Personnel Management
OS/IG	Office of the Secretary/Office of the Inspector General
SES	Senior Executive Service
VA	Veterans Administration

## CHAPTER 1

### INTRODUCTION

The Civil Service Reform Act of 1978 requires GAO to review on a selected basis performance appraisal systems established under the act (5 U.S.C. 4304). In response to this mandate, we reviewed nine Federal agencies' implementation of their performance appraisal systems for those employees not covered by the Senior Executive Service (SES) system or the merit pay system. Separate GAO reviews of performance appraisal systems for SES and merit pay employees are currently under way.

### OBJECTIVES OF THE ACT

A key objective of the Reform Act was to have agencies develop effective performance appraisal systems which could be reliably used as a basis for personnel decisions. The act gave agencies considerable latitude in designing systems to meet their own needs, requiring only that the systems:

- Provide for periodic appraisals of job performance of employees.
- Encourage employee participation in establishing performance standards.
- Use the results of performance appraisals as a basis for training, rewarding, reassigning, promoting, reducing in grade, retaining, and removing employees.

The act directed OPM to develop implementing regulations to provide for:

- Establishing performance standards that, to the maximum extent feasible, permit evaluation on the basis of objective criteria.
- Evaluating each employee according to the standards at least once during the appraisal period.
- Recognizing and rewarding employees whose performance so warrants.
- Assisting employees in improving unacceptable performance.
- Reassigning, reducing in grade, or removing employees who continue to have unacceptable performance.

The act also directed that OPM offer technical assistance to agencies developing performance appraisal systems, review the developed systems, and determine whether the systems meet statutory requirements. Where statutory requirements were not met, OPM was

to direct the agency to implement an appropriate system or to correct operations, and the agency was to comply with such directives.

Ninety-four of the 95 Federal agencies subject to these provisions of the act had OPM-approved performance appraisal systems by October 1, 1981, as required. The Merit Systems Protection Board (MSPB) had not submitted its plan by that date. Nearly two million non-SES, non-merit pay employees were included under the performance appraisal systems of these 95 agencies. <sup>1/</sup>

#### OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to evaluate how well agencies had implemented their performance appraisal systems required by the act. Specifically, we reviewed:

- Each agency's compliance with the law and regulations in setting performance standards for their non-SES, non-merit pay employees.
- Each agency's ability to base its employee appraisals on those standards and use the results for making personnel decisions.
- OPM's role in prescribing regulations, providing technical assistance, and reviewing and approving each agency's system.

We reviewed OPM's performance appraisal guidelines and regulations, nine agencies' performance appraisal system plans and operating procedures, and employee grievances related to performance appraisal. Using a structured interview format, we interviewed officials who were responsible for implementing non-SES, non-merit pay appraisal systems and who could explain how their systems were to operate at the nine Federal agencies. We reviewed the systems at the Department of Housing and Urban Development (HUD), the Department of the Interior (DOI), the Federal Trade Commission (FTC), the Interstate Commerce Commission (ICC), and the National Credit Union Administration (NCUA) to provide a mix of large and small organizations that had completed at least one appraisal period under the new requirements. For agencies involved in their first appraisal period under the new

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<sup>1/</sup>All but the following Federal employees are covered under performance appraisal systems in 5 USC 4302: employees in the Foreign Service; members of medical professions in the Veterans Administration; administrative law judges; individuals in the Senior Executive Service; individuals appointed by the President; other individuals specifically excluded by OPM; and individuals working in certain excluded agencies.

requirements, we reviewed the Departments of Treasury, Transportation, and Air Force and the Veterans' Administration. These agencies were selected through consultation with OPM, and to ensure that we examined both civilian and defense agencies.

To assess employee attitudes toward the new systems and gain a better understanding of how the systems were implemented, we interviewed employees at three of the nine agencies. We chose three agencies for employee interviews--HUD, FTC, and DOI--because of their different organizational structures. HUD was chosen because it is a large agency that has one system for all covered employees; FTC is a small agency with one system; and DOI is a large agency with several separate systems for its organizational components. We included headquarters employees at all three agencies and employees in the agencies' larger offices. At HUD, we included employees in Boston and San Francisco; at FTC, Atlanta and San Francisco; and at DOI, Sacramento, Boston, and San Francisco. To compare implementation between components of an agency with several systems, we selected two subagencies of DOI: the Office of the Inspector General in the Office of the Secretary (OS/IG) and the National Park Service (NPS). We interviewed five employees from each of the largest professional and clerical series at each agency and location, their supervisors, and their reviewing officials. This procedure resulted in interviews with a total of 55 rated employees, 47 supervisors, and 29 reviewing officials. The number of supervisors interviewed was less than 55 because some supervisors were responsible for more than one of the employees interviewed. The number of reviewing officials was less than 55 for the same reason, and nine employees we interviewed had no reviewing official. The results of these interviews were used to help us identify some of the successes and types of problems experienced by some Federal workers, not to show the incidence with which each existed.

To assess the extent to which performance standards met statutory and regulatory requirements, we analyzed the standards established for the employees selected for interviews. For this assessment of standards, we used content analysis, a procedure for collecting and organizing information in a standardized format that allows analysts to make inferences about the characteristics and meaning of the collected material. The objectives of our content analysis were to (1) assess the quality of performance standards in place at selected agencies during two appraisal periods and (2) determine whether the agencies had improved the quality of their standards in the later appraisal period. In addition, we randomly selected and analyzed a number of VA employees' standards for a 1-year period because standards for VA employees appeared clearer and more measurable than others in our review. (See app. I.)

As with the interviews, the results of these analyses are not necessarily representative of all Federal agencies. Again, they simply indicate some of the successes and some of the problems with performance standards.

The results of our work were discussed with responsible agency officials from all nine agencies who concurred with our analysis.

Our review took place during the period between March and August 1982 and was carried out in accordance with generally accepted government auditing standards.



## CHAPTER 2

### STANDARD SETTING: AN IMPROVED PROCESS NEEDING FURTHER REFINEMENTS

The standard-setting process is an essential component of the new performance appraisal systems. The act required agencies to encourage employee participation in setting standards and to communicate standards to employees at the beginning of each appraisal period. In addition, agencies must see that standards are established which permit supervisors to accurately evaluate performance on the basis of objective criteria.

According to an OPM report, 95 percent of all employees covered under the act had standards in place by October 1, 1981, as required, a major accomplishment requiring considerable time and effort. At eight of the nine agencies we reviewed, management officials reported that although supervisors devoted little or no time to setting standards under previous performance appraisal systems, now supervisors are devoting up to 80 hours a year to establish appropriate standards for their employees.

Many employees and supervisors, as well as reviewing and management officials, cited better communication as a major result of the standard-setting process. They felt that, in general, when supervisors and employees jointly discussed and established standards for performance, both groups better understood the others' responsibilities and expectations.

Our analysis, however, also showed that many standards did not contain measurable factors, did not differentiate between performance levels, and failed to clearly define unacceptable performance.

#### CONTINUED EMPHASIS ON EMPLOYEE PARTICIPATION AND TIMELY COMMUNI- CATION OF STANDARDS IS NEEDED

Improved communication of work requirements is one of the objectives of the act. Management officials, supervisors, and employees said that staff better understand their responsibilities as a result of the standard-setting process under the new provisions of the act.

According to agency officials we interviewed, communication on performance standards between supervisors and employees improved at eight of nine agencies. One agency, FTC, used model standards for all employees, and agency officials saw no real improved communication. Also, we identified instances at HUD and DOI where employee participation was limited and standards were not always communicated to employees at the beginning of the appraisal period as required. In addition, the degree to

which agencies encouraged employee participation and the degree of timeliness with which standards were communicated declined in the subsequent appraisal period at the agencies we reviewed.

Agencies need to continue emphasis  
on employee participation

According to OPM, involving employees in planning work, setting standards, and appraising performance promotes more objective appraisals and results in improved performance and motivation. The agencies' performance appraisal systems we reviewed provided for employee participation in the standard-setting process as required by the act. The level and type of employee participation varied considerably among agencies and, in some cases, among individual supervisors. Although agency officials in eight of the nine agencies stated that employees were involved in drafting performance standards, supervisors from six of these eight agencies said that employees only reviewed proposed standards.

According to HUD and NPS policy, supervisors and employees were to work together to develop standards. The amount of employee involvement varied considerably depending on the supervisor. Eleven employees of the 30 we interviewed at HUD and NPS (2 at HUD and 9 at NPS), said they participated actively in the standard-setting process, while 18 (13 at HUD and 5 at NPS) said they did not participate in the process at all or only provided comments on proposed model standards for their occupation. (One NPS employee gave no response to this question.)

At FTC, headquarters personnel officials developed model standards for all occupational categories and grade levels. FTC officials solicited comments from employees, but only one employee from the San Francisco Regional Office and one from the Atlanta Regional Office submitted comments. At both these regions we found that FTC supervisors adopted the model standards without revision for all covered employees.

At DOI's OS/IG, we found that some employees had more input than others in the standard-setting process. For example, clerical staff helped draft their individual standards, while management officials, in consultation with a representative committee of auditors, established uniform standards for all auditors.

There were indications that employee involvement declined after the first appraisal period. According to 102 supervisors and employees from HUD, FTC, DOI's OS/IG and NPS, more said their agencies had encouraged participation in the first period than in the later appraisal period.

Agencies need to continue emphasis  
on timely communication of standards

The act requires that employees receive their performance standards at the beginning of the appraisal period. OPM guidance advises agencies that effective two-way communication about a job's standards at the beginning of the appraisal period provides both parties with an opportunity to identify and resolve any misunderstandings. Early discussion of standards also reduces the likelihood of disagreements when the appraisal is made.

We found that agencies did communicate standards to employees at the beginning of the first period in most cases. However, an increased number of employees claimed they did not receive their standards at the beginning of the second period that we reviewed.

We interviewed employees at three agencies <sup>1/</sup> about the timeliness with which their standards were communicated to them. Of the 53 employees responding to the question for the first period, only 10 (19 percent) said they did not receive their standards at the beginning of the period. However, of 33 employees responding to the question for the later period, 14 (42 percent) said they did not receive their standards at the beginning of the period. Five FTC employees had not received their performance standards at least 7 months into the second appraisal period.

Untimely communication of performance standards to employees could prevent an agency from successfully sustaining a corrective action against a poor performer. In one case involving an agency's decision to remove an employee because of unacceptable performance, the MSPB found that the agency violated regulations by not notifying the employee of his critical elements and performance standards at the beginning of the appraisal period, and MSPB reversed the agency's action.

THE QUALITY OF STANDARDS  
NEEDS IMPROVEMENT

The act requires that, to the maximum extent feasible, performance appraisals be based on objective criteria. The appraisal process requires standards that are clearly stated and measurable. In our analysis of the performance standards established at three agencies, we determined that the standards often

--were not clearly stated in measurable terms;

--did not differentiate between performance levels;

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<sup>1/</sup>HUD, FTC, and two subagencies of DOI: OS/IG and NPS.

- failed to clearly identify unacceptable performance levels;
- did not allow for the satisfactory level to be exceeded; and
- were not improved or clarified in subsequent appraisal periods.

Although agencies need to improve the quality of their standards, they and OPM have taken only limited action to improve standards.

#### Agencies need to improve measurability of standards

The Interagency Advisory Group (IAG) Subcommittee on Improving the Quality of Elements and Standards <sup>2/</sup> has stated that the success of any performance appraisal system depends largely on the validity and quality of the performance elements and standards. Both OPM and the IAG suggest that performance standards should measure quality, quantity, and timeliness, and if they do not, supervisors may find it difficult to reliably and objectively assess performance and determine an appropriate rating.

Using this OPM criteria in our analysis of performance standards at HUD, FTC, and DOI's OS/IG and NPS, we determined that standards were often vague and not stated in measurable terms. In contrast, the performance standards at VA were generally precise and measurable.

Many of the standards at HUD, FTC, and DOI's OS/IG and NPS did not contain quality, quantity, and timeliness measures. The percentages of standards analyzed that contained one or none of the required measures were: HUD, 56 percent; FTC, 79 percent; DOI's OS/IG, 62 percent; and NPS, 53 percent. VA's standards, on the other hand, always contained two or more of these measures.

For example, one critical element for an FTC clerk-typist is preparation of written material, letters, and memoranda. Recognizing that it is difficult to specify at the beginning of an appraisal period what the quantity of work required will be, the following performance standard for that element nevertheless lacks measures of quality and timeliness:

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<sup>2/</sup>This is a subcommittee of the IAG Committee on Performance Appraisal, an OPM-sponsored group comprised of agency personnel directors, their representatives, and line managers, formed to provide a forum for sharing information about performance appraisal systems and techniques.

"Must be able to prepare letters, memoranda, etc., and determine the appropriate format to be used. Must be able to prepare documents requiring various formats, including charts with tabulations and layouts with internal or subordinate breakdowns. Additionally, must be able to personally draft responses when routine questions or requests for information are involved."

This standard simply restates the employee's duties. Assuming quantity is all work, this standard does not specify how well the work should be done or how soon the work should be done. A supervisor using this standard would have difficulty in objectively evaluating the employee's performance.

Standards reviewed at VA for a comparable position, on the other hand, were more measurable and often contained criteria on expected levels of quality and timeliness. For example, performance standards for a VA secretary stated:

"Takes and transcribes dictation from supervisor and staff; attends meetings in order to take minutes, so that over a twelve month period no more than seven items of correspondence, summaries of meetings, or other typed material must be returned to the incumbent due to any type of errors, such as transcription, typing, punctuation, spelling, or failure to cover all salient points in a summary of a meeting.

"Fails to meet the timeliness requirements established by the supervisor at the time of work assignment on no more than four occasions during a one year period."

VA's standards for nonclerical positions were also more measurable. For example, a performance standard for a claims examiner stated:

"Regulations, manuals and other technical and reference material will be maintained in such a manner that all materials distributed will be filed in the approved manner within six (6) workdays with no more than six exceptions during a 12-month period."

Although these standards do not clearly identify quantity, they include measures of quality and timeliness that provide the supervisor with a basis for determining whether the employee met, exceeded, or failed to meet job requirements.

Unless standards are measurable, agencies may not be able to support personnel actions based on appraisal results. For example, in November 1979, MSPB reversed an agency's decision to

remove an employee. MSPB's action was based on its finding that the employee's performance standards were actually subjective judgments and did not constitute the objective criteria mandated by the act. Following are examples of that employee's performance standards:

--"work review will be thorough, accurate, etc."

--"insures accuracy and completeness of information on all forms," and

--"instructions will be clear and complete."

These standards, unlike those at VA, are similar to many of the standards used at the three agencies reviewed. Thus, without at least some quality, quantity, or timeliness measures, such as those identified in the Federal Personnel Manual, agencies may have difficulty meeting the statutory requirement for accurate evaluations based on objective criteria.

Standards need to differentiate between performance levels

As stated by the IAG, standards that clearly differentiate between performance levels greatly increase the supervisor's and employee's ability to accurately appraise performance. If standards do not differentiate between performance levels, supervisors will have difficulty in objectively determining employees' levels of performance and in justifying their ratings.

Our review of the four agencies <sup>3/</sup> showed that standards often were written without distinguishing between satisfactory and the next highest or lowest levels. The following table shows the number of standards at each agency for which such distinctions could be made.

Percent of standards in GAO's analysis that distinguish satisfactory from the:

<u>Agency</u>	<u>Next highest level</u>	<u>Next lowest level</u>
HUD	3	11
FTC	0	0
DOI's OS/IG	0	0
NPS	11	14
VA	20	94

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<sup>3/</sup>VA, HUD, FTC, and two subagencies of DOI: OS/IG and NPS.

The following standards, created for an NPS Supervisory Park Technician, typify the difficulty in distinguishing between various performance levels.

- Hazardous conditions are recognized and actions taken to avoid an accident. Supervisor is immediately notified of hazardous conditions.
- Equipment utilized for assigned operation is inspected regularly.
- Subordinate (seasonal) employees receive training necessary to use equipment and perform all duties safely.

Because the standard is vague and does not contain concrete measures of quality, quantity, or timeliness, the supervisor would have difficulty determining whether the employee's performance met, did not meet, or exceeded the standard. This same problem existed in all four agencies.

In contrast, another NPS Park Technician had the following standard related to handling correspondence, which, if appropriate and trackable, does distinguish between performance levels:

"Assigned correspondence is handled in a timely manner. 90-94% of all correspondence is ready for mailing in three working days of receipt at employee's desk."

This standard is stated clearly. Both supervisor and employee can clearly identify what performance meets, does not meet, or exceeds the standard.

Standards need to clearly  
identify unacceptable performance

The act established procedures intended to make it easier for agencies to take corrective actions. However, such actions must be based on unacceptable performance as defined in the standards. Now, agencies can remove or downgrade employees who have failed to meet the performance standards for one or more critical job elements, regardless of how well they perform other elements.

OPM suggests that each agency establish standards that clearly identify levels of performance. If such levels are clearly presented, the agency would be justified in taking action against any employee failing to meet acceptable levels.

In our review, few agencies clearly identified what unacceptable levels of performance were. For example, HUD identified them in only 9 percent of the standards we reviewed; FTC

and DOI's OS/IG never identified them; and NPS identified them in 14 percent of the standards we reviewed. VA standards, on the other hand, identified unacceptable levels in 95 percent of the standards reviewed.

The following is an example of standards containing unclear levels of performance. They were used for three critical elements of a HUD Management Assistant.

- References are accurately identified.
- All reports are prepared by due date.
- Charts are neatly and accurately prepared within appropriate time limits.

By using these standards, an agency may not be able to sustain a performance-related action or even an unsatisfactory rating if the employee did not correctly identify one reference, completed a report 2 days late, or prepared a chart that was not neat.

In contrast, VA often defined the satisfactory level so that the unacceptable level of performance was clearly identifiable. For example, a contract representative had to meet the following standards:

- Errors involving additional development from forms and applications completed in the personal interview unit and telephone interview unit will not exceed three.
- Performance for conducting employee training sessions is satisfactory when the average training session evaluation score is between the range of 4 to 7.

With the above standards, the unacceptable level of performance is identifiable. Both supervisor and employee know that more than three errors or an average training evaluation score of less than four will result in an unsatisfactory rating for those job elements.

Standards should allow the satisfactory level to be exceeded

According to the IAG, competent employees should be able to meet standards at the satisfactory (fully successful) level, and the above-average performer should be able to exceed them. Standards for the satisfactory level should not be set at a level that cannot be exceeded. Yet our analysis showed that agencies are establishing standards at the satisfactory level which cannot be exceeded. Specifically, our analysis showed that 78 percent (546 of 702) of the standards at the satisfactory level we reviewed could not be exceeded.



At FTC, for example, one fully successful level standard for a clerk typist stipulated that all legal, economic, and technical words had to be spelled correctly in all typed documents. Another FTC fully successful level standard required consumer protection specialists to perform accurate, complete, and timely research that reached a sound conclusion on all matters. According to both these standards, better than fully successful performance is impossible. As a result, employees cannot determine what level of achievement is necessary to receive an outstanding rating, or if an outstanding rating is even possible.

Agencies need to improve standards in subsequent appraisal cycles

It would be unreasonable to expect that Federal managers and supervisors could write perfect performance standards for the first period. However, it is important that they refine and improve performance standards in subsequent appraisal periods.

We compared performance standards for the two recent appraisal periods at three agencies <sup>4/</sup> and determined that little improvement in the quality of performance standards had taken place from one period to the next. Often, agencies continued to use the same standards established in previous periods. In fact, at two of the three agencies, the same standards were adopted from one period to the next for 32 of the 40 employees in our review (80 percent). At HUD, standards underwent substantial revision due to the change to multiple level definitions.

The following table, based on GAO's analysis, shows that, in terms of quality, quantity, and timeliness, little improvement has occurred in the percentages of standards that include these measures.

Percent of standards in GAO's analysis with measures of:

<u>Agency</u>	<u>Quality</u>		<u>Quantity</u>		<u>Timeliness</u>	
	<u>prior period</u>	<u>later period</u>	<u>prior period</u>	<u>later period</u>	<u>prior period</u>	<u>later period</u>
HUD	49	54	28	39	42	46
FTC	25	32	36	36	10	12
DOI's OS/IG	65	65	8	8	30	38
NPS	50	50	45	45	38	38

<sup>4/</sup>HUD, FTC, and two subagencies of DOI: OS/IG and NPS.

As the table shows, DOI's OS/IG added a few more timeliness measures to its standards during the more recent appraisal period, and FTC added a few more quality and timeliness criteria to its standards. Only HUD improved somewhat in all three areas for its later appraisal period. However, overall, the changes in measurability were small.

HUD revised its standard-setting process and was also the only agency of the three to improve in differentiating between performance levels and in clearly identifying unacceptable performance. During HUD's previous appraisal period, 28 percent of its fully satisfactory standards could be exceeded, but almost 33 percent could be exceeded in the later appraisal period. In addition, HUD now defines the unsatisfactory performance level, and these definitions clearly identified unacceptable performance for 14 percent of the standards we reviewed for the later period. Although this percentage is still low, it is an improvement over the previous period, when only 5 percent of the agency standards we reviewed clearly identified unacceptable performance.

Performance standards at DOI's OS/IG improved during the current appraisal period in regard to the degree to which they define satisfactory levels which can be exceeded. However, a lower percentage of standards defined satisfactory levels that could be exceeded at FTC and NPS during the most recent appraisal period than during the previous appraisal period. At NPS, fewer of the standards clearly identified unacceptable performance in the later appraisal period than during previous periods. None of the standards reviewed at FTC and DOI's OS/IG clearly identified unacceptable performance.

Most agency plans we reviewed did not provide for a review of standards at the beginning of the period nor were such reviews generally taking place. At the three agencies where we conducted employee interviews, reviewing officials reported that they reviewed standards at the beginning of the previous period for only 18 of those 55 employees (33 percent). Only two changes occurred as a result of these reviews. The number of employees whose elements and standards were reviewed for the later period decreased to only 16 of the 55 employees (29 percent). Thus, agency officials did not review standards at the beginning of the period for most of the employees we interviewed.

If agency officials would review standards when they are established at the beginning of the period, they could make sure that the standards are well written and comparable to those for other employees in similar positions. For instance, 20 of 29 reviewing officials we interviewed claimed responsibility for reviewing standards and ratings for groups of employees in comparable jobs. These officials are, therefore, in a position to

judge whether standards for employees in the same job series and at the same grade level are comparable and of reasonable difficulty.

More effective actions needed  
to improve standards

In an IAG survey of Federal agencies conducted in June 1982, 36 of the 39 responding agencies (94 percent) claimed that difficulty in developing meaningful performance elements and standards was the single largest problem in performance management.

OPM's efforts to assist agencies in improving the quality of elements and standards have consisted primarily of the following:

- Publishing an April 1981 Performance Standards Handbook for use as a reference guide by managers and supervisors in developing elements and standards.
- Forming a clearinghouse to distribute sample standards developed by agencies for 200 different positions, available upon request.
- Conducting training courses on setting performance standards for agencies nationwide.
- Providing technical assistance to agencies upon request.

Officials at six of the nine agencies we visited said they did not use the handbook and sample standards in developing their performance standards. Officials from the other three agencies we reviewed said that they had used the handbook to help in setting standards. OPM officials acknowledged that the handbook's sample elements and standards were not as useful as they could have been, especially for inexperienced supervisors, and that may have limited their use by the agencies.

According to OPM records, the clearinghouse received 782 requests for standards. Some agencies we visited had problems with the standards distributed by the clearinghouse. Management officials from three of the agencies said that the standards were not helpful. The Acting Director of OPM's Performance Appraisal Service Division acknowledged that they were not good examples for agencies to use as models. OPM neither revised nor improved the elements and standards agencies provided to the clearinghouse. Because of the declining number of requests, the clearinghouse was terminated in July 1982. OPM officials have told us that instead of the clearinghouse, OPM is considering providing assistance to the agencies through development of generic standards that would apply to large occupational groups.

Agencies could then use these standards as models for their employees because they would contain all desired characteristics, be directly applicable to all employees in those occupations, and allow for comparison among employees in the same job series and at the same grade levels.

Since passage of the act, OPM has offered two training courses that primarily deal with setting standards. The first course, "Setting Performance Standards," has been offered since October 1979. It was heavily attended during 1980 and 1981, but participation dropped considerably in 1982. The second course, "Implementation and Use of Performance Standards," has been available since October 1981 and has not been heavily attended.

Employees from six of the nine agencies we reviewed had attended OPM's training courses. They reported mixed reactions: 44 percent felt the training was good to excellent; 56 percent felt the training was not useful. Those agencies and locations which did not participate in OPM's courses said most frequently that budget constraints and OPM's lack of agency-specific knowledge were the principal reasons.

To assist agencies in improving their performance standards, the IAG in 1981 established a subcommittee on the quality of elements and standards. In October 1981, the subcommittee conducted a survey of IAG member agencies to determine specific problems and actions agencies had taken to improve the quality of standards. While 34 agencies reported specific actions to improve the quality of elements and standards, the most commonly cited action was "further study by task forces, outside consultants, etc."

In July 1982, the IAG subcommittee prepared a diagnostic guide to analyze the quality of elements and standards which may prove useful to agencies in their attempts to make improvements in the future. Officials at three of the agencies we reviewed found this guide helpful and have encouraged their supervisors to use it when they prepare standards in future appraisal periods.

## CHAPTER 3

### IMPROVEMENTS NEEDED IN THE WAY

#### APPRAISALS ARE COMPLETED AND USED

The Reform Act requires the use of appraisals as a basis for making personnel decisions. Several agencies we visited had begun to use appraisal results as a basis for personnel decisions such as awards, within-grade increases, and removals.

However, we identified several factors which may restrict the use of appraisals as a basis for making personnel decisions. We have already discussed the problem in not communicating standards at the beginning of an appraisal period and problems in the quality and measurability of standards. In addition, we identified problems related to the timeliness and manner in which appraisals were completed. Strategies for linking appraisal results to personnel decisions remain vague at many agencies, and legal decisions may have obscured the act's attempts to facilitate the process of taking corrective actions on poor performers. Finally, more active monitoring and evaluation efforts by OPM and agencies are needed to identify additional problem areas and to ensure actions are taken to refine performance appraisal systems.

#### TIMELINESS AND MANNER OF COMPLETING APPRAISALS NEED TO BE IMPROVED

According to the Federal Personnel Manual,

"the primary purpose of the periodic appraisal is to assure that supervisors regularly review employees' performance, give employees feedback about their performance, and provide information needed for various personnel decisions."

However, in some cases appraisals were not completed until long after the end of the appraisal period. We also identified problems in how agencies used their summary rating systems and review procedures. These problems also reduce the usefulness of information provided to employees as feedback on how to improve their performance.

#### Appraisal and feedback need to be timely

For written appraisals and employee counseling sessions to be useful for personnel decisions and feedback purposes, the information provided must be timely. The Federal Personnel Manual on improving performance appraisal states that "employees should be kept currently informed about the quality of their performance and promptly notified of their appraisals."

The act requires employees to be evaluated during the appraisal period, but neither the act nor OPM regulations specify how promptly appraisals should be completed. OPM regulations require that employees be appraised, in writing, at least annually, but regulations do not indicate how long after the end of the appraisal period the actual rating must be completed.

Consequently, agency plans and policies vary greatly on when performance ratings are due at or after the end of an appraisal period. Six of the nine agency plans we reviewed did not specify a due date for final ratings. Those agencies or their subagency components that did, established due dates ranging from 30 to 45 days after the end of the appraisal period. Completed appraisals at NPS are not due until 3 months after the period has ended.

The agencies we reviewed which had completed an appraisal period generally did not use internal monitoring systems to insure appraisals were completed or to enforce compliance with agency-established due dates. In addition, most agencies had not compiled statistics on compliance with the due dates. Some agencies, such as HUD, had begun to computerize appraisals so that their completion and timeliness can be more easily monitored in the future.

At agencies with available statistics, we noted the following:

--At NPS, appraisals for the first period were due on March 31, 1982, 3 months after the period ended on December 31, 1981. However, we found that 78 percent of the ratings had not been received on time in the personnel office of the North Atlantic Region. In the Western Regional Office, 67 percent of the ratings had not been prepared by the supervisors by March 31, 1982. In both these regions, the personnel offices did not receive all the appraisals until the end of June, 6 months after the end of the period.

--At DOI's OS/IG, headquarters officials said that 37 percent of the appraisals were not received by the due date of October 30, 1981, which was 30 days after the end of the appraisal period.

In DOI's OS/IG Western Region, a personnel decision was reversed because the appraisal was late. The appraisal period ended on September 30, 1981, and an employee's within-grade increase was due on November 1, 1981. However, the appraisal which showed unsatisfactory performance was not completed until March 1982, over 5 months after the end of the appraisal period. The employee was notified of a determination to deny his within-grade increase in July. As a result of the delay in preparing the appraisal, the decision to deny the increase was reversed when the employee filed a grievance.

Delays in completing appraisals also compromise the usefulness of feedback information to employees who wish to improve their performance. This is especially true at agencies that do not require interim evaluations or counseling sessions. Five of the nine agencies in our review encouraged, but did not require, interim appraisals, but management officials at all nine agencies said progress reviews were taking place. However, interviews with employees at three of the nine agencies did not support these claims. Forty-two percent of the 55 employees we interviewed said they received no interim appraisals or feedback, and 36 percent felt that they did not receive adequate feedback on their performance from the appraisal process.

### Summary rating systems need further scrutiny

When using appraisal results in personnel decisions, many agencies rely on the overall or summary rating rather than on ratings for individual elements. This is especially true when deciding on awards. Agencies have developed a wide variety of summary rating systems. Some involve complicated weighting factors for each element or elaborate mathematical procedures for arriving at the summary rating. According to OPM officials, some agencies' systems do not provide for summary ratings.

At the nine agencies we reviewed, we found a variety of problems with the summary rating systems, and many employees did not understand or had difficulties with them.

For example, NPS adopted a complicated mathematical conversion system for translating initial element ratings to overall summary ratings. In this system:

- The method for mathematically converting individual element ratings to one summary rating was complicated and cumbersome for supervisors, and they frequently cited this as a disadvantage of the system.
- Descriptions of the summary rating levels obtained through the conversion process did not accurately reflect the actual initial ratings used in attaining those summary levels.

At HUD, the summary rating levels were defined in the performance appraisal plan, but the procedures for arriving at those levels were ambiguous. Four of the five employees interviewed at the Boston Regional Office did not understand what was needed to be rated at each level or how the summary rating was determined.

At one organizational unit in DOT, the mechanism used to arrive at the summary rating involved a complicated weighting process for each element. Supervisors assigned weighting factors ranging from 10 to 100 percent to critical elements and factors ranging from zero to 100 percent to noncritical elements. One possible problem resulting from this method is that critical elements assigned lower weights than the noncritical elements could end up having less impact on the summary rating than noncritical elements.

In March 1981, OPM informed agencies that 5 U.S.C. Chapter 43 requires that a performance rating on any element cannot be extrapolated more than one level above or one level below a level for which there is a written standard.

In order to comply with this, many agencies where single standards were written established systems which evaluate individual elements at only three levels (such as Outstanding, Satisfactory, and Unsatisfactory), while the summary ratings based on these evaluations distinguish among five levels of performance (such as Outstanding, Highly Satisfactory, Satisfactory, Minimally Satisfactory, and Unsatisfactory). Several supervisors expressed frustration in appraising employees through such summary rating systems. They pointed out that it took a great deal of subjectivity to combine the ratings of individual elements containing three levels into one summary rating containing five levels. Supervisors described the dilemma as follows:

- A Highly Satisfactory summary rating cannot be based on "highly satisfactory" performance on all or most of his or her elements, but on a combination of some outstanding and some satisfactory performance. If the employee cannot be fairly described as "outstanding" on any individual element, the summary rating is automatically skewed down to a Satisfactory.
  
- A Minimally Satisfactory summary rating cannot be based on "minimally satisfactory" performance on all or most of his or her elements, but on a combination of some satisfactory and some unsatisfactory performance. If the employee cannot be fairly described as "unsatisfactory" on any individual element, the summary rating is automatically skewed up to a Satisfactory.



Better review processes  
needed to ensure accurate  
and consistent ratings

Reviewing officials carefully reviewing ratings at the end of performance appraisal periods could help ensure that performance is accurately and objectively measured against the preestablished standards, and that ratings are not inflated from factors that are unrelated to the job. Most of the agency plans we reviewed provide for some type of review of the final ratings. While these reviews generally did take place, reviewing officials said that they were often merely perfunctory.

At the three agencies where we conducted employee interviews, officials did not review the final ratings for 9 of the 55 employees. In the remaining 46 cases, officials reviewed 42 cases after the ratings had already been given to the employees. Four of the reviews took place before the ratings were given to the employees. None of the reviewing officials we interviewed, however, made changes as a result of their reviews. OPM officials have pointed out that reviewing officials are less likely to suggest changes to a rating after the employee has seen it, and in such cases the review process often becomes a mere formality.

One reason reviewing officials offered for not being more actively involved in their reviewer roles was their uncertainty about the objectives of the reviewer's role. Of 28 reviewing officials we interviewed who had received training on the performance appraisal system, 10 (36 percent) felt that training had not adequately prepared them for their roles as reviewing officials.

LINKAGES BETWEEN APPRAISAL RESULTS  
AND PERSONNEL ACTIONS AND  
AUTHORITY TO TAKE CORRECTIVE  
ACTIONS NEED TO BE CLARIFIED

The successful appraisal system, according to the act, requires a clear linkage between appraisal results and personnel decisions. However, employees we interviewed did not perceive a linkage between their appraisals and the resulting personnel decisions. A number of officials believed the act did little to support the taking of corrective actions.

Clear linkages needed to improve  
employee motivation and productivity

In a report we issued prior to passage of the Civil Service Reform Act, "Federal Employee Performance Rating Systems Need Fundamental Changes" (FPCD-77-80, Mar. 3, 1978), we reported that Federal agencies had not linked performance evaluation results

to personnel decisions and that employees did not perceive a direct relationship between performance evaluation and rewards. <sup>1/</sup> We concluded then that there was no assurance that a new performance evaluation system would be effective unless a meaningful linkage was established.

As stated, the act requires agencies to develop performance appraisal systems that use appraisal results as a basis for training, rewarding, reassigning, promoting, reducing in grade, retaining, and removing employees. OPM regulations further specify that each appraisal system must include statements of how appraisals are to be used as a basis for personnel decisions. Or, if such an explanation is not contained in the system, the agency must let its employees know where this information may be found.

In many agency plans, the linkages between personnel decisions either continue to be vague or are not even mentioned. Seven of the nine agency plans reviewed simply reiterated the regulatory requirement that appraisal results are to be used as a basis for some or all personnel decisions. They did not specify how they planned to link the results to the decisions. Some officials we interviewed remarked that "supervisory judgment is still more important than the appraisal," and "appraisals are peripheral to personnel actions."

Not surprisingly, at a number of agencies, we found indications that employee attitudes remain the same as before passage of the act. Surveys taken by two agencies in our review showed that, after the end of the first appraisal period, many employees still did not see a close link between appraisals and personnel decisions:

--ICC surveyed a sample of its employees in January 1982, after the first appraisal period had been completed. When 520 employees were asked whether they felt that the performance appraisal system had an effect on personnel decisions such as promotions, awards, or disciplinary actions, 56 percent answered "no" or "don't know."

--In May 1982, NPS surveyed its employees after the first appraisal period had been completed. In its report, NPS concluded from the results: "A strong perception appears to exist that no meaningful link is made between performance appraisal ratings and personnel actions . . ."

In our interviews with 55 employees at HUD, FTC, and DOI's OS/IG and NPS, we found that employees believed that only 20

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<sup>1/</sup>OPM's 1979 survey, "Federal Employee Attitudes--Phase 1," identified similar problems with linkage and with employees' perceptions of the linkage relationship.

percent of the 94 personnel decisions affecting them since implementation of the new systems were based on their performance appraisals, and 67 percent said that the appraisals were not a reason for the actions taken. <sup>2/</sup> Thirty out of 47 (64 percent) of these employees' supervisors also failed to perceive any linkages between appraisal results and personnel decisions.

VA has established some clear and specific strategies of how to use appraisal results in making personnel decisions, with the result that employees' attitudes are changing. According to VA officials at one location, employees who previously thought appraisals were meaningless have begun taking them more seriously as a result of the number of personnel actions taken during the first period. One VA official told us that, as of May 1982, with the beginning of the new performance appraisal system, 4 within-grade increases were withheld, 15 employees retired or resigned because they anticipated receiving less than satisfactory ratings, and 2 employees were removed for unsatisfactory performance. Conversely, VA's performance appraisal plan states that anyone receiving an outstanding rating should be considered for an award or a certificate of achievement. However, no data on awards was available at the time of our review.

A VA adjudication official in that region said adjudicators increased their average output rate above the established standard at the end of the first appraisal period. This indicated to him that the strong linkages between appraisal results and personnel decisions can motivate employees to improve their performance.

There were several indications that when employees understood the linkage between appraisal results and personnel decisions, their performance improved. Further, we found a high correlation between supervisors who perceived those linkages exist and those who believed that the new system encouraged performance improvement. Out of 47 supervisors, 14 perceived such linkages existed and 13 of the 14 felt performance improvement had been encouraged. However, only 10 of the remaining 33 supervisors who did not perceive that such linkages existed felt the systems encouraged performance improvement.

#### Authority to take corrective actions needs to be clarified

An important feature of the Civil Service Reform Act's performance appraisal system was to enable supervisors to identify poor performers and to take appropriate corrective actions. A

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<sup>2/</sup>With respect to the remaining 13 percent of personnel decisions, employees responded "don't know" or gave no response.

report to the President <sup>3/</sup> prior to passage of the act indicated that inadequate procedures and overwhelming paperwork were the biggest obstacles to taking performance-related actions. Consequently, the act included a variety of provisions to address these problems.

One of the most significant provisions was the reduction in the amount of evidence required to support performance-related adverse actions. The previous authority, 5 U.S.C. Chapter 75, required a preponderance of evidence to support all adverse actions. Now under section 4303 of title 5, only substantial evidence is required to support reducing in grade or removing a poor performer, if appealed. <sup>4/</sup> This provision was intended to make it easier for supervisors to take appropriate action when poor performance had been identified and documented.

In a legal decision (Schramm vs. the Social Security Administration, June 1982), the U.S. Third Circuit Court of Appeals departed from earlier rulings and held that a greater amount of evidence is required to deny a within-grade increase than to demote or remove an employee. This anomaly resulted from the fact that section 4303 of the act cites only reductions in grade and removals as performance-related actions that can be justified by the lesser "substantial level of evidence" standard. The court acknowledged that its decision presented this anomaly, but said that the situation must be corrected by the Congress, not by the courts nor by MSPB.

Many agency officials do not believe that the act has streamlined the process for taking corrective actions in the Federal Government. At the various locations of the nine agencies we visited, fewer than half of the officials interviewed believed

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<sup>3/</sup>Report from the President's "Personnel Management Project," (1977).

<sup>4/</sup>According to 5 CFR Sec. 1201.56(a)(3)(c):

Preponderance of the evidence: That degree of relevant evidence which a reasonable mind, considering the record as a whole, might accept as sufficient to support a conclusion that the matter asserted is more likely to be true than not true [at least 51 percent of the evidence].

Substantial evidence: That degree of relevant evidence which a reasonable mind, considering the record as a whole, might accept as adequate to support a conclusion that the matter asserted is true [not necessarily 51 percent of the evidence].

that the new performance appraisal systems made more than a moderate improvement in their ability to make personnel decisions, and several officials thought there was little or no improvement. A number of officials commented that "negative actions still require extensive time, effort and paperwork," and "the system is the same as before passage of the act." <sup>5/</sup>

MORE ACTIVE MONITORING AND  
EVALUATION EFFORTS ARE NEEDED

If agencies evaluated their own performance appraisal systems and surveyed their employees' attitudes toward them, the resulting information could help the agencies to identify problem areas and to improve their systems. At the agencies we reviewed, evaluation efforts were limited in scope, and information on employee attitudes was lacking.

Evaluations of agency and subagency  
appraisal systems are needed

OPM regulations require that agencies establish methods for (1) periodically evaluating the effectiveness of their performance appraisal systems and (2) improving the systems when appropriate. However, we found that most agencies and locations we reviewed had not yet evaluated their performance appraisal systems, and several officials said their agencies had no specific plans to do so in the future.

The act also requires that OPM review agency performance appraisal systems for compliance with statutory and regulatory requirements, and that it direct agencies to make necessary corrections. At the time of our review, OPM's monitoring and evaluation efforts were limited in scope. Its monitoring effort consisted mostly of requesting agencies to certify that they had complied with the October 1, 1981, deadline for establishing performance standards for all employees. Its evaluation effort consisted of approving appraisal plans at the department or agency level and conducting a small number of case studies, special studies, and reviews of performance appraisal systems at selected agencies and locations. At the time of our review, OPM had conducted comprehensive compliance evaluations of performance appraisal system implementation at three agencies. This is very limited in view of the total number of systems implemented Government-wide.

OPM's approval process generally applied to the department or agency-wide plans, even when the department or agency had delegated the task of developing detailed performance appraisal

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<sup>5/</sup>GAO is continuing work in this area to assess whether selected agencies have used their performance appraisal systems as a basis for personnel decisions and, if they have, how well it has worked.

system plans to their organizational units. While those units' plans had to conform to the policies and procedures of the department or agency, these organizational units frequently operate independently. Many had developed their own appraisal plans with little or no involvement from either the agency or OPM.

In addition, when approving an agency's plan, OPM frequently cited changes which were either required or recommended before implementation, but OPM did not follow through to ensure that those changes had been made.

The evaluations conducted by OPM or by the agencies themselves have frequently identified problems and indicated ways agencies could improve their systems, demonstrating the value of such evaluations. For example:

- An agency study found that evaluations of performance appraisals at Norton Air Force Base, California, did not show that standards were exceeded when awards were granted. To correct this finding, the evaluation stated, "recommendations for awards and superior ratings must be documented by ratings showing standards were exceeded."
- OPM found that while performance standards at the Federal Prison System in Burlingame, California, were objective and trackable, many were based on negative measures (e.g., excellence meant staying out of trouble). OPM recommended setting positive accomplishment objectives for performance levels above satisfactory.
- OPM found that many positions at the Naval Construction Battalion Center, Davisville, Rhode Island, were rated only on critical job elements. OPM warned the Navy that many personnel decisions are based on these ratings and that the official performance record may lack very valuable data because of not rating the noncritical elements. OPM further suggested monitoring performance standards for consistency across organizational lines.

#### Assessments of employee attitudes are needed

For successful implementation of an appraisal system, employees must accept it and have confidence in it. Further, their attitudes toward the system can provide useful insights into the system's problems. However, our review indicated that agencies were receiving little feedback from non-SES, nonmerit pay employees.

OPM administered its Federal Employee Attitude Survey in 1979 to provide a baseline of Federal employee attitudes prior to implementation of the new performance appraisal systems. A second attitude survey in 1980 covered only merit pay employees, and a third survey, to cover non-merit pay employees, was scheduled for late 1981. However, that third survey was postponed and was not sent to employees until August 1983. Therefore, no valid nationwide data is yet available on General Schedule employees' attitudes toward the new appraisal system.

Two of the nine agencies we reviewed had conducted attitude surveys of their own, and officials were optimistic that the findings could be used to assist them in refining their performance appraisal systems. NPS conducted an attitude survey prior to implementing its new appraisal system and resurveyed its employees a year later to determine employee acceptance and to identify initial problems with the new system. According to the survey coordinator, the findings will be used to modify the system. ICC also conducted a survey of employees' attitudes after completion of the first period under their new appraisal system, and the results were being studied at the time of our review.

## CHAPTER 4

### CONCLUSIONS AND RECOMMENDATIONS

Federal agencies did well to design and implement their performance appraisal systems for General Schedule employees required by the Civil Service Reform Act. So far, we believe the major benefits to be better communication on, and better understanding of, employees' work requirements and expected levels of performance.

The standard-setting process of the new performance appraisal systems has led to this improved communication between supervisors and employees. It has increased employees' understanding of their responsibilities, particularly where standards have been jointly prepared and agreed to. The extent of employee involvement, however, varied considerably during the standard-setting process at the agencies reviewed, with some agencies involving only a few employees in this process.

Because the number of employees and supervisors who felt their agency had encouraged employee participation in the standard-setting process declined in the second appraisal period, we believe agencies need to continue their emphasis on employee participation in, and timely communication of, performance standards at the beginning of each appraisal period. Agencies and employees need to view performance appraisal as a dynamic process requiring continual attention and communication.

The agencies and OPM also need to make efforts to ensure that employees' performance standards meet the characteristics established in the Federal Personnel Manual for good standards. Standards should contain quality, quantity, and timeliness measures; distinguish one level of performance from another; identify unacceptable performance; and contain measures below the highest level that can be exceeded. Standards need to be clearly stated and measurable so that agency managers and supervisors can make objective and accurate performance appraisals and use appraisal results as a sound basis for personnel decisions.

Because of the disparity in the levels of communication and in the quality of standards, a second level review of employees' standards at the beginning of appraisal periods could help ensure that both communication and quality of standards would improve. A review of standards at the beginning of each appraisal period by a higher level reviewer could also help ensure that employees in the same job series and at the same grade level have comparable standards and that those standards are of reasonable difficulty. OPM's development of generic standards for large occupational groups that contain the desired characteristics of measurability would facilitate this process.



Despite the need to improve the quality of standards at many agencies, we found that OPM and the agencies we reviewed have taken only limited actions to do so. To ensure that benefits intended by the act are continued and that performance standards provide a sound basis for use of appraisal results in personnel decisions, OPM and the agencies need to further refine performance standards and the standard-setting process.

The successful use of appraisals as a basis for personnel decisions and as useful feedback to employees requires timely, valid, and accurate ratings. Agencies need to ensure that employees receive interim performance feedback and accurate written appraisals that have been reviewed by higher level officials at the end of each performance appraisal period. To help ensure that the formal appraisal process provides valid data, OPM should review agencies' processes for deriving overall summary ratings from the individual elements ratings to ensure they provide for consistent and fair ratings.

While some agencies have taken steps to establish clear linkages between appraisal results and personnel decisions, the linkages to personnel decisions are vague or not even mentioned in some agencies' appraisal plans. From the limited information available about employee attitudes, we believe that perceptions at many agencies about the usefulness of appraisals as a basis for personnel decisions have not changed significantly since before the act. Employees continue to perceive the relationship between appraisals and personnel decisions as limited or nonexistent, and supervisors remain unconvinced that the act has streamlined the process of taking corrective actions against poor performers. OPM could assist agencies by proposing an amendment to the act clarifying that denials of within-grade increases are performance-related actions covered under section 4303. This would eliminate the current anomaly of requiring a greater level of evidence for a less severe action.

More active evaluation efforts by both the agencies and OPM, including the gathering of Government-wide information on employee attitudes, could help agencies identify additional problem areas and improve their performance appraisal systems.

We cannot project that all the problems identified at the nine agencies reviewed apply to all Federal agencies. Problems with standard-setting, however, were prevalent in all three agencies where we did a 2-year analysis. Each of the nine agencies reviewed had some problems with the way appraisals were completed or used. Many of the agencies' problems occurred in areas already covered to some degree by law, Federal

regulations, or OPM guidance. Many of the provisions in the law and regulations are not specific, and the differences in agencies' approved systems reflect this. OPM guidance however, is more specific and agencies were either not following or not fully complying with these provisions. Therefore, GAO believes the Director, OPM, should, pursuant to his responsibilities in the Civil Service Reform Act (5 U.S.C. 4304) , direct agencies to take appropriate action that will result in:

- Establishing performance standards that, to the maximum extent feasible, contain quantity, quality, and timeliness measures and that clearly distinguish between performance levels.
- Requiring, rather than encouraging, employees to participate in the development of standards and receive them at the beginning of each appraisal period.
- Requiring that appraisals be completed, reviewed, and communicated to employees within a specified time after the end of appraisal periods and that procedures for deriving summary ratings are more clear.
- Requiring some type of interim feedback be given to employees at least once during the appraisal period.
- Providing guidance on the establishment of clear and specific linkages between appraisal results and personnel decisions.
- Improving the evaluation of performance appraisal systems.

GAO recommends that the Director, OPM:

- Require a second level review of employees' performance standards at the beginning of appraisal periods to ensure that those standards contain the desired characteristics of objectivity and measurability.
- Research the potential value of generic standards for large occupational groups that agencies could use as a basis for developing specific standards for employees in those occupations.
- Develop and propose an amendment to the Civil Service Reform Act clearly stating that denying a within-grade increase is a performance-related action covered under section 4303.

## AGENCY COMMENTS

The Office of Personnel Management (OPM) generally concurred with our conclusions and recommendations. Preceding its specific responses to those conclusions and recommendations, OPM noted its awareness of the need for agencies to continue improving their performance standards and stated it would continue its efforts to ensure that this occurs and that agencies use appraisal results for performance-related decisions. OPM identified specific efforts designed to improve performance management. First, OPM combined the performance appraisal, merit pay, and performance awards programs into the Office of Performance Management. This office will develop policy and guidance, oversee agencies' compliance with policy, and evaluate agencies' systems. Second, OPM intends to perform more program specific evaluations to augment the evaluations performed by the Office of Agency Compliance and Evaluation. Third, OPM intends to issue a comprehensive package of regulations and Federal Personnel Manual guidance designed to ensure greater uniformity among agency performance appraisal systems. (The implementation of these regulations has been delayed legislatively at least until October 15, 1983.) Finally, OPM has established a Performance Management Training Center to provide courses addressing all aspects of performance management and to provide technical assistance to the agencies.

OPM submitted the following responses to our specific conclusions and recommendations.

OPM agreed with the need for agencies to continue improving their performance standards. OPM intended that its proposed regulations would clarify distinctions among performance levels and would establish performance standards that include factors such as quality, quantity, timeliness, and manner of performance. OPM plans to develop and issue additional guidance and provide technical assistance to agencies.

OPM agreed that requiring employee participation in the development of standards at the beginning of each appraisal period is an excellent idea. Concerning the required communication of these standards at the beginning of appraisal periods, OPM responded that its proposed regulations, as well as most agency plans and procedures, contained this provision. OPM expects that its future increase in monitoring and oversight activities will ensure compliance with this requirement.

OPM commented that its proposed regulations also would require completion of ratings at least annually and as close to the merit pay determination as practicable. OPM stated that although the proposed regulations did not mention the timing of ratings for General Schedule employees, it intends to issue guidance to agencies emphasizing the need to communicate appraisals in a timely manner.

OPM's proposed regulations would require that the procedures for deriving summary ratings be consistent with the definitions for rating levels defined in the regulations. OPM intends to require agencies to include these procedures in performance management plans submitted for OPM approval.

According to OPM, many agency plans contain provisions for interim feedback to employees, however, OPM intends to issue guidance to agencies emphasizing the need for such periodic feedback.

Concerning the linkage between performance appraisal results and personnel decisions, OPM commented that its proposed regulations would require direct linkages between appraisal results and within-grade increases, quality step increases, performance awards, and career ladder promotions. The regulations would require that agencies' performance plans detail linkage and the anticipated funding available for merit pay, quality step increases, and awards. OPM stated that it intends to monitor implementation of these plans and that it will continue to study methods to improve the linkage between appraisal results and personnel decisions. OPM also plans to examine ways to improve this linkage and to issue further guidance in this area.

OPM stated that many agencies have not initiated evaluations of their performance appraisal systems, but it has encouraged agency evaluations during informal discussions. In addition, OPM stated that a Federal Personnel Manual letter will be issued to stress the evaluation requirements and to provide guidance on scope and methodology for reviews. As mentioned earlier, OPM's Office of Performance Management plans to conduct specific, detailed evaluations of performance appraisal systems.

OPM concurred with our first recommendation which would require a second level review of performance standards at the beginning of appraisal periods. The proposed regulations would provide for a second level review of performance standards at the beginning of the appraisal periods. The proposed regulations would also require a second level review to approve ratings at the end of the appraisal period and before they are communicated to employees.

In response to our recommendation that OPM conduct research on model or generic standards for large occupational groups, OPM stated it has a major project underway to research the feasibility of developing such standards.

Finally, we recommended that OPM propose an amendment to the Civil Service Reform Act clearly stating that denying a within-grade increase is a performance-related action covered under section 4303. Section 4303 actions require only substantial

evidence offered by the agency to support its actions in an appeal to the MSPB under 5 U.S.C. 7701. OPM commented that recent court cases in the Court of Appeals for the Federal Circuit indicate that only substantial evidence is being required to uphold such decisions. OPM also indicated it is considering statutory changes to title 5 which would have the effect of this recommendation.



Methodology for Analysis of Performance Standards

In assessing the quality of performance standards, we used OPM's characteristics of good performance standards as stated in the Federal Personnel Manual, Chapter 430. For each standard selected, we determined whether it

- (1) contained quality measures--specified how well the employee should perform or how accurate performance must be;
- (2) contained quantity measures--stated how much work is or how many items are required;
- (3) contained timeliness measures--indicated how soon or when tasks should be completed;
- (4) distinguished performance levels--differentiated between outstanding and highly satisfactory (or next lowest level), between satisfactory from marginally satisfactory (or next lowest level), etc.
- (5) contained measures below the highest level that could be exceeded--indicated levels below outstanding that could be surpassed rather than setting the level at perfection; and
- (6) identified unacceptable performance--had clear and realistic descriptions of unacceptable performance levels.

Content analysis procedures require that one evaluator initially analyze the standards and that a second evaluator verify the results by performing the same analysis on a sample of the standards. The first evaluator analyzed 951 performance standards, and the second evaluator verified 110 of these standards.

<u>Agency</u>	<u>Performance Standards</u>	
	<u>Analyzed</u>	<u>Verified</u>
HUD	313	31
FTC	191	27
DOI:		
OS/IG	103	12
NPS	234	28
VA	a/ <u>110</u>	<u>12</u>
Total	<u>951</u>	<u>110</u>

a/Only one year's standards at VA were analyzed. For all other agencies, standards for two periods were analyzed.

For the content analysis to be valid, the two evaluators must have at least an 80-percent agreement on each dimension. In this analysis agreement percentages ranged from 87 percent to 99 percent on the various dimensions.



Glossary

Appraisal period: the period of time that is established by an agency's appraisal system for which an employee's performance will be reviewed.

Critical element: a component of an employee's job that is of sufficient importance that performance below the minimum standard established by management requires remedial action and denial of a within-grade increase; it may be the basis for removing or reducing the grade level of that employee.

Noncritical element: important, but not critical, aspect of an employee's work. (See definition critical element above.)

Non-merit pay employee: an individual who is not covered by the merit pay provisions of the Civil Service Reform Act.

Non-SES employee: an individual who is not in the Senior Executive Service.

Performance elements: the most important aspects of an employee's work; they may correspond to tasks, duties, functions, responsibilities, performance objectives, performance dimensions, or other components that the job requires.

Performance levels: levels used in an agency's appraisal system to describe how well or how poorly an employee performs on each element of his or her position.

Performance-related actions: actions taken by the agency to deal with an employee's unacceptable performance, as opposed to disciplinary actions which deal with an employee's misconduct. Prior to passage of the Act, both performance-related actions and disciplinary actions were grouped together as "adverse actions."

Performance standards: expressed measure of the level of achievement established by management for the duties and responsibilities of a position or group of positions.

Section 4303 actions: reduction in grade or removal actions based on unacceptable performance.

Subagency: a component of an agency which can establish its own performance appraisal system.

Summary rating system: method of summarizing appraisal information for an employee by an adjective, number, or other means. According to OPM guidance, summarization by itself does not serve the purpose intended by the law.

Unacceptable performance: performance of an employee which fails to meet established acceptable performance standards in one or more critical elements of that employee's position.



United States  
Office of  
Personnel Management

Washington, D.C. 20415

Your Reference To

Your Reference

**JUL 29 1983**

Honorable Charles W. Bowsher  
Comptroller General of the United States  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Bowsher:

We have reviewed the draft report, "General Performance Appraisal Has Improved Communication of Work Requirements but Refinements are Needed", GAO-GGD-83-72. We are pleased that the GAO has found major benefits from the implementation of new performance appraisal systems and that you share with OPM the view that agencies have done well to provide performance plans and standards to 95% of their employees within a fairly short time frame.

The report recognizes that developing performance standards and using the results of appraisals effectively takes time and experience and cannot be expected to be done perfectly the first time. Further, the report notes that in three of the agencies studied, little improvement in the quality of performance standards had taken place from one appraisal period to the next. OPM is aware that agencies need to emphasize improving their performance standards and will continue its efforts to insure that agencies do, in fact, undertake steps to improve the quality of standards and the use of appraisal results.

OPM's efforts fall into four major categories:

- reorganization of the performance appraisal program into an Office of Performance Management;
- modification of its approach to evaluation of personnel programs to one that is more program specific;
- development of a comprehensive package of policy, regulation, and FPM guidance establishing greater commonality among performance appraisal systems; and
- establishment of a Performance Management Training Center to offer a wide range of courses on the operation and use of performance appraisal systems.

OPM's new Office of Performance Management brings together under one director the previously separate programs of performance appraisal, merit pay, and performance awards, including an analysis and evaluation responsibility. The improvement of performance standards and the more effective use of performance-based incentive systems in agencies is the major work of the Office of Performance Management. The Office is responsible for overseeing the operation of performance appraisal and merit pay and awards programs in agencies, for developing policies to improve performance appraisal and merit pay in the Federal government, and for directing agencies to make changes in their systems to bring them into compliance with OPM policies. The Office provides assistance to agencies in developing and operating their systems, reviews and approves performance appraisal plans, and conducts reviews of agency systems. In addition, the Office develops formal policy (regulations and FPM material) and advisory or guidance documents such as model standards.

While the overall objectives of OPM's evaluation program remain unchanged, the approach used in future years will be modified. Future evaluations of agency programs will be oriented to specific personnel programs. Federal personnel management has been divided into five major areas, performance management (primarily performance appraisal and merit pay) being designated as one of these.

The primary evaluation responsibilities for all five of the program areas will continue to be accomplished by the Agency Compliance and Evaluation (ACE) organization. These reviews of the performance management area will focus on broad program effectiveness, regulatory compliance and cost. The Office of Performance Management (OPeM) augments this effort with agency program studies and reviews that are specific in nature and normally more narrow in scope. The objectives are to improve individual agency programs, highlight areas requiring policy changes, and provide for government-wide program results analysis. Two major studies of performance appraisal and merit pay are currently underway.

On July 14, 1983, OPM published in the Federal Register a comprehensive set of proposed regulations dealing with performance appraisal, merit pay, awards, and a Performance Based Incentive System (PBIS). Those regulations clarify and provide greater precision to policies regarding critical elements, performance standards, summary ratings, and the use of appraisal results in setting pay and rewarding employees. The regulations are designed to have a major impact on improving appraisal systems by linking them more directly to consequences. The regulations are expected to be issued in final in the fall of 1983, and be fully implemented by agencies by the following performance cycle.

The new Center for Performance Management Training is responsible for design, development and delivery of a comprehensive training curriculum covering all phases of performance management. The curriculum includes courses in strategic planning and objective-setting; performance planning, including the development of elements and standards and unit work plans; correcting performance problems; rating performance and evaluating programs; and linking performance to organizational changes and personnel actions. The Center brings together courses previously offered by a variety of OPM training units and in doing so reinforces the integration of management functions, appraisal and personnel actions. Courses are targeted for managers and supervisors, analysts, and specialists, and may be tailored for single-agency delivery in addition to the regularly scheduled interagency offerings. The Center also provides reimbursable technical assistance to individual agencies. In addition, the Federal Executive Institute has recently included in its curriculum a unit on performance management to improve the capabilities of executives to meet their responsibilities in performance management.

Our comments on the specific conclusions and recommendations of the report are set forth below.

The report concludes that OPM should direct agencies to "take appropriate action that will result in establishing performance standards that contain quantity, quality, and timeliness measures and that clearly distinguish between performance levels." The regulations that we have proposed re-emphasize the legal requirements for establishing performance standards, provide definitions that make clear distinctions among levels, and specifically state that a standard "may include, but is not limited to, factors such as quality, quantity, timeliness, and manner of performance." Further, by developing and issuing additional guidance materials and through our technical assistance program, we will continue to work with agencies to insure that standards are clearly distinguishable between performance levels.

With respect to the recommendation that OPM should "require, rather than encourage, employees to participate in the development of standards and receive them at the beginning of each appraisal period;" we have considered, since enactment of the Civil Service Reform Act, a possible requirement for employee participation in developing standards. We strongly believe that employee involvement is fundamental to the success of the performance appraisal system. Making it a requirement that there be direct supervisor-employee communication during the standard-setting process is an excellent idea.

With respect to a requirement that employees receive standards at the beginning of each appraisal period, such a requirement exists in nearly all agency plans and implementing procedures and our proposed regulations would also require that it be done. We fully expect that our increased oversight and monitoring activity will help to ensure that this requirement is met.

The report concludes that OPM should "require that appraisals be completed, reviewed, and communicated to employees within a specified time after the end of appraisal periods and that summary rating systems provide for consistent and fair ratings." Our proposed regulations require completion of ratings at least annually and as close to the merit pay determination as practical for merit pay employees. OPM will issue additional guidance, via the FPM system, to clarify the importance of agency procedures for assuring that appraisals are communicated as well as completed in a timely fashion.

While the proposed regulations do not set forth a process for arriving at summary ratings, they do require that procedures for deriving summary ratings be consistent with the definitions for rating levels set forth in the regulations. In addition, OPM will require agencies to describe their procedures in their performance management plans submitted to OPM for approval.

The report also concludes that OPM should "require that some type of interim feedback be given to employees at least once during the appraisal period." Most agency plans provide for some type of progress review and we agree that it is a good management practice. In FPM guidance to be issued with the new regulations, we plan to give strong emphasis to the importance of periodic feedback sessions.

With respect to the conclusion that OPM provide guidance on the establishment of clear and specific linkages between appraisal results and personnel decisions, our proposed regulations require very direct linkages between appraisal results and within-grade step increases, quality step increases, performance awards and career ladder promotions. In addition, our proposed regulations require that agencies modify merit pay systems, where necessary, to assure that the connection between performance and pay is not only direct but very clear to the employee. The proposed regulations also require that agencies develop, and submit to OPM for approval, plans that describe precisely how performance appraisal results will be used in those decisions, including projections of expected funding for merit pay, quality step increases, and awards. OPM will closely monitor the execution of these plans.

OPM recently issued an FPM Letter (751-2) entitled "Taking Action on the Problem Employee" and an accompanying Personnel Management Series Handbook (751-A) which provide information and guidance to managers for dealing with poor performers. We will continue to examine ways in which to improve the linkage between appraisal results and personnel decisions and expect to issue additional guidance.

The report also concludes that OPM should direct agencies to take actions to "improve the evaluation of performance appraisal systems." As the report points out, OPM regulations require that agencies evaluate and improve their systems and the law requires that OPM review agency performance appraisal systems and direct agencies to make necessary corrections. In many instances, agencies have not yet undertaken evaluation efforts, although several have begun efforts to do so.

Although it is expected that OPM's monitoring and oversight activities will result in increased self evaluation activity in agencies, several additional actions are currently underway to assure that this occurs: 1) Self evaluation is being emphasized informally in discussions between Office of Performance Management (OPeRM) and agency staff; 2) Evaluation applications will be a subject of future program evaluations accomplished by Agency Compliance and Evaluation (ACE) and Office of Performance Management; and 3) a Federal Personnel Manual (FPM) letter is being prepared to reemphasize the evaluation requirement to agencies and to provide guidance on scope and effective methodology for program review.

As to OPM's responsibility to review systems and direct agencies to make corrections, the Office of Performance Management has within it an Analysis and Evaluation Division responsible for reviewing performance appraisal as well as other performance management programs from both a government-wide and specific agency perspective. As stated earlier, these efforts are designed to augment the ACE focus. A key component of the Office of Performance Management review of agency performance appraisal systems is a growing data information system. Data for the system which has been collected through direct agency reports of performance appraisal system design, nationwide surveys of agency performance management programs, and ACE evaluation reports of individual agencies or installations, provides the Office with current information on performance appraisal systems operation and deficiencies. This, with the employee data maintained in the Performance Management Information System, permits comprehensive results analysis to be accomplished prior to on-site visits. Furthermore, our proposed regulations call for agencies to submit comprehensive performance management plans for OPM review and approval before implementation. When we determine that a proposed plan will not provide for an effective performance management program in an agency we will direct that corrections be made.

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The report recommends that the Director of OPM "require a second level review of employees' performance standards at the beginning of appraisal periods to ensure that those standards contain the desired characteristics of objectivity and measurability, and that standards for employees in the same job series and at the same grade level are comparable and of reasonable difficulty." Our proposed regulations will require a stronger role for second level supervisors in the appraisal process, specifically including the review of performance standards at the beginning of the period not only for the reasons stated but to ensure also that they accurately reflect the goals and missions of the organization. Our proposed regulations will also require that second level supervisors review and approve ratings before they are made final and communicated to employees. We agree that the importance of the performance appraisal process demands an active and visible role for all levels of management.

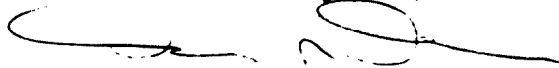
The report recommends that the Director of OPM "research the potential value of generic standards for large occupational groups that agencies could use as a basis for developing specific standards for employees in those occupations."

As the report notes, OPM previously provided to agencies samples of standards that had been developed by other agencies and it is our view that, while those were helpful in some instances, model or generic standards that agencies could use as a basis for developing specific standards would be more useful. We have a major project underway to explore the feasibility of developing generic elements and standards for large occupational groups.

The report's final recommendation is that the Director of OPM "develop and propose an amendment to the Civil Service Reform Act clearly stating that a within-grade increase is a performance-related action covered under Section 4303, and therefore granting or denying it requires only a substantial level of evidence." We believe that recent cases in the Court of Appeals for the Federal Circuit indicate that the Third Circuit's decision regarding substantial evidence will not be followed in other cases. However, we are considering a number of statutory changes to Title V aimed at strengthening pay-for-performance that would have the effect of this recommendation.

Thank you for this opportunity to respond to and comment on the proposed report. We are pleased that GAO has found that the implementation of new performance appraisal systems has been positive and we expect that our current activities and the follow up to this report will continue to result in better management of the Federal government's work force.

Sincerely yours,



Donald J. Devine  
Director

(966063)



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