



Office of Inspector General

Report Highlights

Date: August 5, 2008

Title: Fiscal Year 2007 New Hire, Acceptance, and Retention Rates Performance Measures Need Improvement and Alternative Measures Should Be Considered

Findings: We have completed our assessment of three GAO people performance measures--the new hire, acceptance, and retention rates--that are published in GAO's 2007 *Performance and Accountability Report*. We found that the current measures are not the most useful or valid measures for assessing the agency's human capital management. We believe alternative measures could provide more useful information. Specifically, we found that the three measures, to a limited degree, embody GAO's four characteristics of successful performance measures. We also analyzed the three measures against the nine attributes GAO uses as criteria in evaluating other agencies' performance measures. We found that the performance measures satisfied six attributes but did not meet three. In particular, the *reliability* of the performance measures could be improved, the *objectivity* of the acceptance measure could be enhanced, and some *overlap* exists with two of the measures.

Recommendations: We make two recommendations to strengthen the current measures: (1) improve their *reliability* by developing written standard operating procedures on how CAO calculates and provides quality checks over the data which comprise these three measures and (2) enhance the *objectivity* of the acceptance rate measure by citing the IG identified acceptance rate data limitation in the fiscal year 2008 *Performance and Accountability Report*. To ensure that GAO has the most useful, meaningful performance measures, we also recommend the agency consider alternative measures for assessing its human capital management.




GAO

Accountability * Integrity * Reliability

Memorandum

Date: August 5, 2008

To: Executive Committee

From: Inspector General – Frances Garcia 

Subject: Fiscal Year 2007 New Hire, Acceptance, and Retention Rates
Performance Measures Need Improvement and Alternative Measures
Should Be Considered

We have completed our assessment of three GAO people performance measures—the new hire, acceptance, and retention rates—that are published in GAO's 2007 *Performance and Accountability Report*.¹ We found that the current measures are not the most useful or valid measures for assessing the agency's human capital management. We believe alternative measures could provide more useful information. We are recommending actions to the Chief Administrative Officer (CAO) to enhance the current measures' reliability and objectivity and to identify and consider alternative human capital measures.

Background

As stated in its 2007 *Performance and Accountability Report*, GAO uses these three measures—new hire, acceptance, and retention rates—in combination with four other people performance measures—staff development, staff utilization, leadership, and organizational climate—to measure how well the agency is managing its human capital.² All seven measures are also linked to GAO's strategic plan Goal 4 strategic objective of becoming a professional services employer of choice.

GAO has identified human capital—the recruiting, hiring, and retaining of a diverse high-quality workforce—as one of its most important challenges, and the agency has taken several actions to address it. For example, GAO (1) created a taskforce which identified over 40 recommendations for improving recruitment and hiring, (2) created two SES-candidate projects to help address staff retention and turnover cost issues, (3) retained Watson Wyatt to gather data regarding retention and turnover statistics,³ and (4) commissioned the Ivy Planning Group's *African American Performance*

¹On a fiscal year basis, the new hire rate measures the number of people hired to the number GAO planned to hire, the acceptance rate measures number of applicants accepting offers to the number of offers made, and the retention rate measures 100 percent of the average number of staff on board minus the attrition rate.

²The 2007 *Performance and Accountability Report* presents two retention measures—one with and one without retirements. For the purpose of our review, we discuss them as one retention measure.

³Watson Wyatt Worldwide provides consulting services on a range of people and financial issues, including employee retention strategies.

Assessment Study which, among other things, addressed GAO's diversity recruitment strategy.⁴ In light of this challenge, including changing demographics—over 42 percent of staff have been with the agency less than 5 years, GAO has also committed to instituting better, more comprehensive human capital metrics.

To aid the development of effective performance measures, GAO identified in its guide on implementing the Government Performance and Results Act four characteristics of successful measures.⁵ Specifically,

- The measures respond to multiple priorities, including employee satisfaction and cost of service.
- The measures are linked to responsible program offices and provide useful information to decision makers.
- The measures are limited to the vital few. They cover key performance dimensions that will enable each organizational level to assess accomplishment, make decisions, realign process, and assign accountability. Further, excess data is not being collected that could obscure rather than clarify the performance measures.
- The measures demonstrate results because a performance goal (target) has been established to assess progress toward achieving the intended performance.

GAO has also developed a set of nine specific attributes as criteria for evaluating the effectiveness of other agencies' performance measures. (The attachment has more detailed information on the nine attributes.)

Objectives, Scope, and Methodology

The objectives of this review were to (1) determine whether GAO's procedures and controls provide reasonable assurance that the new hire, acceptance, and retention rates performance measures are valid and reliable and (2) identify alternative measures for assessing GAO's human capital management. To accomplish the first objective, we used GAO's tools for evaluating and assessing government agencies' performance measures. We worked with SI to identify the pertinent tools and to verify that our use of the tools was appropriate. We worked with CAO and HCO to identify the databases and processes they use to create and monitor hiring, acceptance, and retention data, and we reviewed related standard operating procedures. We used ARM data reliability guidance to determine whether the measures' data are reliable. To accomplish the second objective, we worked with SI and CAO to identify alternative human capital performance measures. We also

⁴Ivy Planning Group, *African American Performance Assessment Study* (Rockville, MD: April 2008).

⁵GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1996).

identified and analyzed various alternative human capital performance measures cited by the Corporate Leadership Council and others.⁶

We conducted this performance audit between April 2008 and July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Current Measures Are Not the Most Useful and Their Reliability and Objectivity Can Be Enhanced

Our work shows that the three measures, to a limited degree, embody GAO's four characteristics of successful performance measures and therefore are not the most useful or valid measures. That is,

- The three measures in combination with the four other people measures—staff development, staff utilization, leadership, and organizational climate—do respond to multiple priorities, including staff satisfaction.
- The measures are linked to responsible program offices. However, they provide only somewhat useful information to decision makers to improve GAO human capital management. For example, the retention rate measures staff retention on an annual basis but does not capture GAO's ability to retain staff over a longer time period. GAO has reported that measures that do not provide useful information will not alert managers and others to the existence of problems nor help them respond when problems arise, such as, for example, the long-term retention of staff.⁷
- The measures are few in number and excess data is not being collected that could obscure the performance measures. However, they are not the most vital measures of human capital management. For example, GAO has determined that the acceptance rate measure has become a less meaningful measure and will be eliminated in fiscal year 2009.
- The measures demonstrate results because a performance goal (target) has been established to assess progress toward achieving the goal. However, the measures are not the most effective metrics for assessing agency progress in addressing human capital challenges. For example, while the new hire rate provides a benchmark of the number of people hired to the number the agency planned to hire, it provides no information on such issues as the diversity of the staff being hired.

⁶The Corporate Leadership Council assists human resources leaders with their managerial, communication, and decision-making challenges through a variety of services including case-based best practices research, quantitative research, and practical tools and templates for performance benchmarks.

⁷GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, GAO-03-143 (Washington, D.C.: November 2002).

We also analyzed the three performance measures against the nine attributes GAO uses as criteria in evaluating other agencies' performance measures. We found that the performance measures satisfied six attributes but did not meet three. Specifically, the *reliability* of the performance measures could be improved, the *objectivity* of the acceptance measure could be enhanced, and some *overlap* exists with two of the measures. (The attachment has more information on our analysis of the three measures.)

First, we found that the *reliability* of the measures could be strengthened. While CAO has an effective informal process on how it calculates and provides data quality checks over the data which comprise the three performance measures, it lacks written standard operating procedures over this process. Without written procedures that clearly describe GAO's process for developing and verifying these measures' data, including which units provide the data, how frequently the data is verified and validated, what specific spreadsheets and databases are used to perform data quality checks, and how data discrepancies are resolved, the agency cannot be assured that its calculations and quality checks are being conducted as intended. GAO has reported that (1) having standard procedures for collecting performance data and calculating results helps produce consistent results and (2) reliability is increased when written verification and validation procedures exist.⁶

Second, the *objectivity* of the acceptance rate measure is adversely impacted by not disclosing a data limitation. Declinations of job offers through the informal part of intern conversion to permanent employees are not included in formal employment acceptance rate data. According to team intern coordinators, if interns informally indicate they are not interested in GAO employment, teams either do not rank them for employment selection or give them a low ranking. Thus, no formal job offer is made. Further, according to HCO officials, from fiscal year 2005 through early in fiscal year 2007, informal declinations of job offers through HCO's decentralized employment offer process were also not included in formal employment acceptance rate data. As a result, GAO is overstating its acceptance rate of offers of employment. ARM guidance indicates that data limitations should be reported so that incorrect conclusions do not occur. Reporting publicly on data limitations is already being done with regard to other aspects of these and other performance measures.

Third, an *overlap of performance measures* exists. Specifically, there is some overlap between the new hire rate and acceptance rate measures in terms of what they measure and what information they provide GAO managers. However, this overlap should be corrected by the elimination of the acceptance rate measure in the fiscal year 2009 *Performance and Accountability Report*.

Alternative Measures Could Strengthen GAO's Ability to Assess Its Human Capital Management

To support GAO in identifying the most useful performance measures for assessing its ability to recruit, hire, and retain a diverse high-quality workforce, we also

⁶GAO-03-143.

reviewed alternative measures. GAO has reported that improving the usefulness of performance information and measures is a key practice in enhancing agency performance.⁹ For example, in light of GAO's Workforce Diversity Plan identifying areas to increase staff diversity, such as underrepresentation of Hispanics throughout the agency, developing an alternative measure that would assess agency progress in increasing diversity would have merit.¹⁰ Having such a measure would help support the recent Ivy Planning Group report recommendation to develop a performance metric to monitor diversity recruiting. Moreover, such a measure would provide GAO a more direct way to assess whether it is achieving the diverse workforce that is frequently cited as a potential outcome under the Goal 4 strategic objective of being a professional services employer of choice.

Another alternative measure option would be the 5-year retention rate of new hire employees. In light of GAO leadership concerns regarding its ability to retain staff and the cost of staff turnover, having such a measure would provide the agency more useful information on its success or challenge in retaining new staff over time. For example, GAO workforce data shows that of staff hired in fiscal year 2002, 53 percent remained with the agency by fiscal year 2007. The current retention measure only measures retention on an annual basis and thus cannot capture such trends. Having such trend data would enhance the agency's ability to assess its success in retaining staff, which is frequently cited as a potential outcome under the Goal 4 strategic objective of being a professional services employer of choice.

We discussed these and other alternative performance measures with CAO officials. The officials agreed with our assessment that current measures have limited usefulness. They were also open to instituting new alternative human capital performance measures. We believe, and GAO has reported, that any new measures being considered should provide managers and other stakeholders with timely, action-oriented information that helps them make decisions that improve agency operations, such as in this case GAO's human capital management.¹¹

Conclusions

Human Capital—the recruiting, hiring, and retaining of a diverse high-quality workforce—remains one of GAO's most important challenges. Effective human capital performance measures can be key tools in assessing GAO's progress in addressing this challenge. However, the current new hire, acceptance, and retention rates performance measures are not the most useful measures for making such an assessment. We believe instituting better, more comprehensive human capital performance measures would enhance the agency's ability to address this important challenge. Lastly, until new measures can be developed, we believe improvements should be made to the current measures.

⁹GAO, *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making*, GAO-05-927 (Washington, D.C.: September 2005).

¹⁰GAO, *Workforce Diversity Plan* (Washington, D.C.: June 2008).

¹¹GAO-03-143.

Recommendations

To ensure that the existing performance measures meet the characteristics and attributes that GAO considers key when assessing the effectiveness of other agencies' performance measures, we recommend that the Chief Administrative Officer take two actions.

- To improve the *reliability* of the current performance measures, CAO staff should develop written standard operating procedures on how it calculates and provides quality checks over the data which comprise the three performance measures. Such procedures should clearly describe GAO's process for developing and verifying these measures' data, including which units provide the data, how frequently the data is verified and validated, what specific spreadsheets and databases are used to perform data quality checks, and how data discrepancies are resolved.
- To enhance the *objectivity* of the acceptance rate performance measure, CAO staff should work with QCI staff to ensure that the acceptance rates data limitations cited in this report are disclosed in the fiscal year 2008 *Performance and Accountability Report*.

To ensure that GAO is continually working to identify the most useful, meaningful performance measures, we recommend that the Chief Administrative Officer consider alternative measures for assessing agency human capital management. Such measures should provide managers and others with timely, action-oriented information that helps improve GAO's human capital management, including such issues as staff diversity and retention.

Matter for Consideration

In the course of its work, the IG's office observed many cases of data not being entered in the HCO Vacancy and FTE Tracking System which is used to track, among other things, acceptance and declinations of employment offers. HCO staff told us that while there are oral reminders to keep data accurate, there are no written procedures or controls over the completeness or accuracy of the data entered into the system. We believe this could present a data quality issue.

In view of the above, we are suggesting that the Chief Human Capital Officer develop and implement written procedures for assuring that data entered into the system is accurate and complete.

We have briefed the Chief Administrative Officer on our findings, provided her a copy of our report, and obtained her oral comments.

Actions taken in response to our recommendations should be reported to my office within 60 days.

Attachment

cc: Mr. Bowling
Ms. Heckmann

Attachment

Attributes of Successful Performance Measures and IG Analysis of Three People Measures

Attribute	Definitions	Potentially adverse consequences of not meeting attribute	Do three people performance measures meet attribute?
1. Linkage	Measure is aligned with division and agencywide goals and mission and clearly communicated throughout the organization.	Behaviors and incentives created by measure do not support achieving division or agencywide goals or mission.	Yes
2. Clarity	Measure is clearly stated and the name and definition are consistent with the methodology used to calculate it.	Data could be confusing and misleading to users.	Yes
3. Measurable Target	Measure has a numerical goal.	Cannot tell whether performance is meeting expectations.	Yes
4. Objectivity	Measure is reasonably free from significant bias or manipulation.	Performance assessments may be systematically over or understated.	No
5. Reliability	Measure produces the same result under similar conditions.	Reported performance data is inconsistent and adds uncertainty.	No
6. Core Program Activities	Measures cover the activities that an entity is expected to perform to support the intent of the program.	Not enough information available in core program areas to managers and stakeholders.	Yes
7. Limited Overlap	Measures should provide new information beyond that provided by other measures.	Manager may have to sort through redundant, costly information that does not add value.	No
8. Balance	Balance exists when a suite of measures ensures that an organization's various priorities are covered.	Lack of balance could create skewed incentives when measures overemphasize some goals.	Yes
9. Government-wide Priorities	Each measure should cover a priority, such as quality, timeliness, and cost of service.	A program's overall success is at risk if all priorities are not addressed.	Yes