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**U.S. OFFICE OF PERSONNEL MANAGEMENT  
OFFICE OF THE INSPECTOR GENERAL  
OFFICE OF EVALUATIONS**

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# **Final Evaluation Report**

## **EVALUATION OF THE PRESIDENTIAL RANK AWARDS PROGRAM**

**Report Number 4K-ES-00-19-032  
January 17, 2020**

# EXECUTIVE SUMMARY

## *Evaluation of the Presidential Rank Awards Program*

Report No. 4K-ES-00-19-032

January 17, 2020

### **Why Did We Conduct the Evaluation?**

During our prior evaluation of the U.S. Office of Personnel Management's (OPM) Employee Services' Senior Executive Service and Performance Management Office, we learned about issues involving pending interagency agreements within the Presidential Rank Awards Program. As a result, we conducted this evaluation to determine whether OPM has effective controls in place to carry out its responsibility for managing and administering the Presidential Rank Awards Program.



**William W. Scott, Jr.**  
*Chief, Office of Evaluations*

### **What Did We Find?**

The Presidential Rank Award is one of the highest awards bestowed by the President of the United States upon the career Senior Executive Service (SES) and senior professional, [i.e., Senior-Level (SL) and Scientific-Professional (ST)]. Within OPM, the Senior Executive Resources Services is responsible for administering the Presidential Rank Awards Program. During our evaluation, we determined that the Senior Executive Resources Services needed to:

- Strengthen its controls over the Presidential Rank Awards Program. Specifically, management needs to:
  - (a) Update and finalize its standard operating procedures to ensure Senior Executive Resources Services staff document require responsibilities and include instructions for processing interagency agreement obligation forms for on-site evaluation; and
  - (b) Build on-going monitoring and quality control measures to ensure compliance.
- Work with the appropriate offices to closeout interagency agreements from fiscal years 2016, 2017, and 2018.

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# I. INTRODUCTION

This final evaluation report details the results from our evaluation of the *Presidential Rank Awards Program*. The U.S. Office of Personnel Management (OPM) Office of the Inspector General (OIG) conducted this evaluation, as authorized by the Inspector General Act of 1978, as amended.

The Presidential Rank Award is the most prestigious award in the Federal career civil service bestowed by the President of the United States upon the career Senior Executive Service (SES) and senior professional, [i.e., Senior-Level (SL) and Scientific and Professional (ST)]. The Civil Service Reform Act of 1978 established the Presidential Rank Awards Program to recognize a select group of SES for exceptional performance. The statute was later, amended to extend eligibility to senior career professionals with a sustained record of exceptional professional, technical, and/or scientific achievement recognized on a national or international level. The statute requires OPM to request nominations and administer the program for Presidential Rank Awards. The statute also requires agency heads to nominate career SES and senior professionals across the Federal Government for Presidential Rank Awards. Within OPM, the Senior Executive Resources Services is responsible for administering the Presidential Rank Awards Program.

All agencies, including Inspectors General through the Council of the Inspectors General on Integrity and Efficiency, may nominate their respective career SES and senior professional populations. The two categories available for the Presidential Rank Award include:

- (1) Distinguished rank to leaders who achieve sustained extraordinary accomplishments, and
- (2) Meritorious rank to leaders for sustained accomplishments.

Only one percent of SES and senior professionals may earn the honor of Distinguished Rank, and five percent of SES and senior professionals may receive the honor of Meritorious Rank. These percentages (one percent and five percent) are based on the government-wide number of career appointees in OPM-allocated SES and SL/ST positions as of September 30th of the previous fiscal year. Each agency may nominate up to nine percent of its SES career appointees and up to nine percent of its senior career employees for rank awards.<sup>1</sup>

To be eligible for a Distinguished and Meritorious Award, nominee must:

- Hold a career appointment in the SES or OPM-allocated SL or ST position;

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<sup>1</sup> Sections 451.301 (c) and 451.302 (c) of Title 5 Code of Federal Regulations, respectively.

- Be an employee of the nominating agency; and
- Have at least 3 years of service in a career or career-type SES or above General Schedule 15.

The agencies' assess their candidates to nominate top individuals who have made significant and lasting contributions to their agency and in support of the President's Management Agenda delivering mission critical solutions, providing excellent customer service, and being good stewards of taxpayers' dollars. In addition to delivering meaningful results, nominees must demonstrate the highest level of leadership competencies, including leading change and leading people for members of the SES, or for the senior professionals, based on their stature in their professional field.

Each agency pays for its executives' rank awards, and should consider and plan for awards as part of executive compensation each year and budget accordingly. The amount of the award should be based on the last rate of basic pay received as a career member of the SES or SL/ST.<sup>2</sup>

OPM verifies that each nominee meets the eligibility requirements and reviews each nomination package for completeness. In addition, OPM administers Presidential Rank Award review boards, which are composed of panels of former and current leaders across the private and public sectors. Each review board has three members who individually evaluate and rate the accomplishments described in the justification statement. Each review board member makes an independent judgment on the nominations presented.

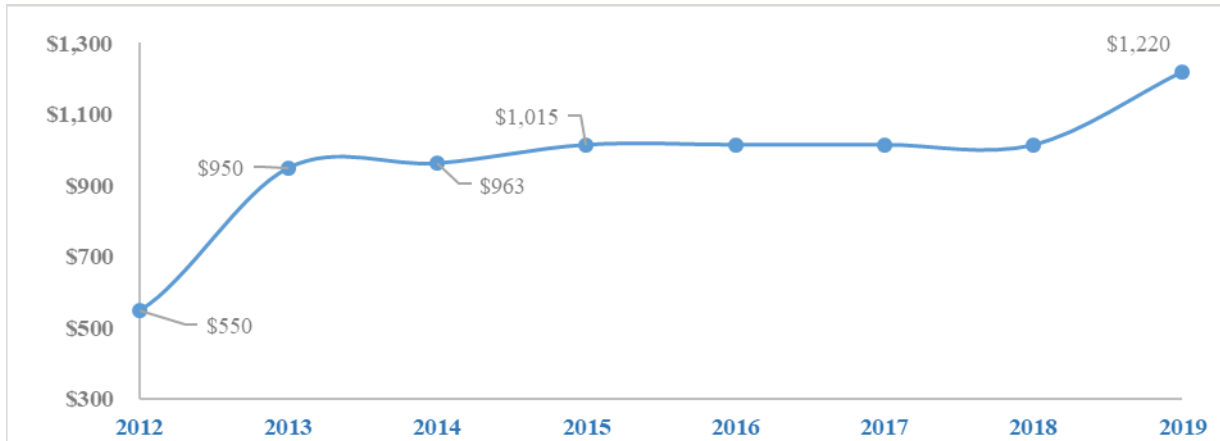
Once the review boards have completed all of the ratings, OPM compiles the scoring into an aggregate format to avoid exceeding the statutory limits and determines the number of nominees to move forward to the on-site evaluation process. Distinguished and Meritorious finalists recommended by the review boards for approval are subject to on-site evaluations conducted by OPM's National Background Investigations Bureau (NBIB), which has now become the Defense Counterintelligence and Security Agency within the Department of Defense (DOD) effective October 1, 2019.

Nominating agencies bear the cost of on-site evaluations and are required to obligate funds sufficient to cover the total potential evaluation costs for their nominees. For fiscal year (FY) 2018, the cost was \$1,015. Graph 1 on the next page shows the cost for the NBIB evaluations from 2012 to 2019.

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<sup>2</sup> *Presidential Rank Awards Program FY 2018 Award Guidance and Templates for Executive Departments and Agencies*, p. 14

**Graph 1: NBIB Evaluation Cost from 2012 to 2019**



Source: OIG Analysis of the NBIB Evaluation Cost for Presidential Rank Awards<sup>3</sup>

Agencies have to provide an interagency agreement for NBIB to perform the work, including invoicing details. The nominating agency signs the agreement as the requesting agency and a Senior Executive Resources Services program official and NBIB business manager as the servicing agency. The OPM’s Office of the Chief Financial Officer approves all agreements.

OPM prepares a certification for the finalists, so that the agency heads can review their final list and determine if each individual is still in good standing and deserving of the Presidential Rank Award. After the agency heads certify their finalists list, the OPM Director sends the names of the reconfirmed, recommended finalists to the President to make final decisions before the end of September. OPM will notify the agency head and appropriate agency contacts as soon as the White House informs OPM of the President’s decision.

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<sup>3</sup> Evaluation costs abstracted from each year’s *Presidential Rank Awards Program Award Guidance and Templates for Executive Departments*



## II. RESULTS OF EVALUATION

This section details the results of our evaluation of the Presidential Rank Awards Program. We identified two areas in which OPM should improve.

### 1. Controls Surrounding the Presidential Rank Awards Program

The Senior Executive Resources Services needs to strengthen its controls over the Presidential Rank Awards Program. During our evaluation, we identified the following:

- a. Senior Executive Resources Services staff did not document verification of the nine percent statutory limit for the number of career SES and SL/ST nominees by agency. Sections 451.301 (c) and 451.302 (c) of Title 5 Code of Federal Regulations (CFR) specify that each agency may nominate up to nine percent of its SES career appointees and up to nine percent of its senior career employees, respectively.
- b. Standard operating procedures for the Senior Executive Resources Services staff did not indicate how management performs on-going monitoring or separate quality control reviews to ensure compliance.

The United States Government Accountability Office (GAO) *Standards for Internal Controls in the Federal Government*, September 2014, indicates that:

**12.05** “Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity’s objectives or addressing related risks. If there is a significant change in an entity’s process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately.”<sup>4</sup>

**16.04** “Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity’s operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring.”<sup>5</sup>

Standard operating procedures for the Senior Executive Resources Services staff did not include procedures to verify and document that each agency may nominate up to nine percent of its SES career appointees and up to nine percent of its senior career employees.

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<sup>4</sup> GAO *Standards for Internal Controls in the Federal Government* (GAO-14-704G, September 2014), p. 56

<sup>5</sup> *Id.*, p. 65

As a result, Senior Executive Resources Services staff did not document required responsibilities to comply with Sections 451.301 (c) and 451.302 (c) of Title 5 CFR.

### **Recommendation 1**

We recommend that the Senior Executive Resources Services manager update and finalize its standard operating procedures to ensure its staff document required responsibilities.

### **Management Response:**

Management concurred with this recommendation and stated that they will update and finalize their standard operating procedures to ensure staff document required responsibilities.

### **Recommendation 2**

We recommend that the Senior Executive Resources Services management build on-going monitoring and quality control measures to ensure compliance.

### **Management Response:**

Management concurred with this recommendation and indicated that they plan to build additional on-going monitoring and quality control measures to ensure compliance.

## **2. Closeout Interagency Agreements for Prior Years**

Senior Executive Resources Services did not have controls in place for its staff to address processing interagency agreements with nominating agencies. During our evaluation, we identified open interagency agreements for prior years. Standard operating procedures for the Senior Executive Resources Services staff did not include instructions on how to process the interagency agreement from nominating agencies for the NBIB on-site evaluation.

As of July 25, 2019, we identified one agency who still owes OPM \$13,195 for evaluations performed for 13 individuals nominated in FY 2016. In addition, interagency agreements, worth \$112,695 involving 12 agencies, need to be de-obligated for individuals nominated but not evaluated in FYs 2016, 2017, and 2018.

The *OPM Financial Management Manual*, revised August 2014, establishes the financial management policies for interagency agreements used by OPM.



### **10.7 General Reimbursable Principles Applied to OPM**

‘Reimbursable work will be accepted only after a written determination of work (Statement of Work) meets the established requirements for execution of an agreement and is fully agreed to by both parties. In addition, no work will commence and no costs will be incurred until the agreement is fully executed.’<sup>6</sup>

### **10.14 Closeout of Interagency Agreements**

‘Upon completion of work, the program or business line officers will notify the customer and provide an estimate of costs incurred. When the final costs are known, the program or business lines officer will promptly notify the customer with a final invoice. Upon final settlement, any unused funds will be returned to the customer and an amendment reducing the total amount of the interagency agreement to the final cost shall be provided to OPM by the customer agency.’<sup>7</sup>

The *Standards for Internal Controls in the Federal Government* (September 2014) indicate that:

**12.05** ‘Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity’s objectives or addressing related risks. If there is a significant change in an entity’s process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately.’<sup>8</sup>

**16.04** ‘Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity’s operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring.’<sup>9</sup>

### **Recommendation 3**

We recommend that the Senior Executive Resources Services manager work with the appropriate offices to closeout interagency agreements from FYs 2016, 2017, and 2018.

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<sup>6</sup> OPM’s *Financial Management Manual* (Revised August 2014) p. 10-5

<sup>7</sup> *Id.*, p. 10-14

<sup>8</sup> GAO *Standards for Internal Controls in the Federal Government* (GAO-14-704G, September 2014), p. 56

<sup>9</sup> *Id.*, p. 65

**Management Response:**

Management concurred with this recommendation and stated that they will work with the Office of Chief Financial Officer and NBIB (now the Defense Counterintelligence and Security Agency within the Department of Defense) to closeout interagency agreements from FYs 2016, 2017, and 2018.

**Recommendation 4**

We recommend that the Senior Executive Resources Services manager update and finalize its standard operating procedures to include instructions for processing interagency agreement obligation forms for on-site evaluation. The standard operating procedures should include:

- Instructions for initiating interagency agreement with nominating agencies, processing procedures, collecting payments, and de-obligating funds to ensure:
  - No work will commence and no costs will be incurred until the agreement is fully executed;
  - Agreed upon milestones are set each year to ensure agencies are promptly notified when final costs are known; and
  - Notify agencies promptly to close out agreements before the end of the calendar year.
- Ongoing monitoring and quality control measures for the interagency agreements process.

**Management Response:**

Management concurred with this recommendation and indicated that they plan to work with the Office of Chief Financial Officer to define a more streamlined interagency agreement process moving forward and update and finalize its standard operating procedures to include instructions for the new process.

# APPENDIX A: SCOPE AND METHODOLOGY

We conducted this evaluation in accordance with the *Quality Standards for Inspection and Evaluation*, January 2012, approved by the Council of the Inspectors General on Integrity and Efficiency.

We performed our fieldwork at the OPM Headquarters in Washington, D.C. from June 2019 to October 2019.

The objective of our evaluation was to determine whether OPM has effective controls in place to carry out its responsibility for managing and administering the Presidential Rank Awards Program. Specifically, we focused on its responsibilities for

- Determining the FY 2018 Presidential Rank Award Distinguished and Meritorious cut-off scores which is the basis for deciding nominees who will receive further consideration;
- Confirming government-wide and agency specific statutory limitations, verifying that each nominee met eligibility requirements, and evaluating agency recommendations to ensure restrictions and requirements are met; and
- Ensuring required records and documents for interagency agreement obligations were submitted for NBIB evaluation costs in which each agency is required to obligate funds sufficient to cover the total evaluation costs for its finalists.

Our evaluation included information and statistics for FY 2018, and other periods as deemed necessary to satisfy the evaluation objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our objective.

As part of the planning phase of this evaluation, we met with key officials responsible for management and oversight of the program and representatives from other components involved (such as OPM's NBIB and Office of the Chief Financial Officer) to gain an understanding of its current state, operations, processes, and controls. We gathered supporting documentation to verify operations and obtained statistics to identify trends. We also reviewed laws, regulations, policies, and procedures as well as guides disseminated to agencies for the program. In addition, we reviewed program data captured by Senior Executive Resources Services staff for FY 2018 to confirm whether the data was complete and accurate. Accordingly, our results were limited by the scope and methodology that we employed to meet our evaluation objectives and not to verify Senior Executive Resources Services' past conditions or predict Senior Executive Resources Services' future actions.

To meet our objective, we performed the following procedures:

- Met with personnel responsible for management and oversight of the program to follow up and obtain updates on the processes and practices used;
- Compared current processes and practices explained through interviews to policies and procedures as well as laws and regulations to determine if the program and its processes were functioning as prescribed;
- Walked through the process and assessed relevant documents used to support the FY 2018 Presidential Rank Awards Distinguished and Meritorious cut-off scores to verify and confirm the numbers and calculations included;
- Reviewed supporting documentation maintained by Senior Executive Resources Services personnel for program data reported and decisions made to assessing whether staff complied with applicable Federal laws, regulations, and policies and procedures and maintained supporting documentation; and
- Verified all interagency agreement pending obligations for FYs 2016, 2017, and 2018.

We selected a judgmental sample of 30 out of 261 SES nominees and two out of 16 SL/ST nominees submitted for a FY 2018 Presidential Rank Award.

In addition, we selected a judgmental sample of completed interagency agreements maintained by NBIB to verify and confirm the amounts used to close out the interagency agreements. We selected the sample based on the amount de-obligated. Table 1 on the next page shows the completed interagency agreements that we verified and confirmed.

Table 1 – Completed Interagency Agreements Verified and Confirmed			
Fiscal Year	Description	Interagency Agreements	De-Obligation Amount
2016	Sampled	3	\$28,420
	Total	20	\$42,630
	Percentage of Total	15 %	67 %
2017	Sampled	3	\$35,560
	Total	7	\$50,785
	Percentage of Total	43 %	70 %
2018	Sampled	3	\$38,570
	Total	47	\$60,930
	Percentage of Total	6 %	63 %

Source: OIG Analysis of the Current Interagency Agreements Maintained by NBIB.

We used the results of our samples to assist in meeting the objectives of this evaluation.



# APPENDIX B: MANAGEMENT COMMENTS



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

Employee Services

December 4, 2019

MEMORANDUM FOR: WILLIAM W. SCOTT, JR.  
Chief, Office of Evaluations  
Office of Inspector General

FROM: *for* MARK D. REINHOLD   
Associate Director, Employee Services

SUBJECT: Draft Report on the Evaluation of the Presidential  
Rank Awards Program  
4K-ES-00-19-032

Thank you for providing OPM the opportunity to respond to the Office of the Inspector General (OIG) draft report, Draft Report on the Evaluation of the Presidential Rank Awards Program, 4K-ES-00-19-032.

Responses to your recommendations including planned corrective actions, as appropriate, are provided below.

**Recommendation 1:** We recommend that the Senior Executive Resources Services management update and finalize its standard operating procedures to ensure its staff document required responsibilities.

**Management Response:**

**We concur.** SERS will update and finalize its SOPs to ensure SERS staff document required responsibilities.

**Recommendation 2:** We recommend that the Senior Executive Resources Services management build on-going monitoring and quality control measures to ensure compliance.

**Management Response:**

**We concur.** SERS will build additional on-going monitoring and quality control measures to ensure compliance.

**Recommendation 3:** We recommend that the SERS management work with the appropriate offices to close-out interagency agreements from fiscal years 2016, 2017, and 2018.

**Management Response:**

**We concur.** SERS will work with OCFO and NBIB [now the Defense Counterintelligence and Security Agency within the Department of Defense (DOD)] to close-out interagency agreements from fiscal years 2016, 2017, and 2018.

**Recommendation 4:** We recommend that the SERS management update and finalize its standard operating procedures to include instructions for processing interagency agreement obligation forms for on-site evaluation.

**Management Response:**

**We concur.** SERS will work with OCFO to define a more streamlined interagency agreement process moving forward, update and finalize its SOPs to include instructions for the new process, and build on-going monitoring and quality control measures to ensure compliance.

I appreciate the opportunity to respond to this draft report. If you have any questions regarding our response, please contact [REDACTED], Manager, Senior Executive Resources Services, by telephone at [REDACTED] or e-mail at [REDACTED][@opm.gov](mailto:[REDACTED]@opm.gov).



## **Report Fraud, Waste, and Mismanagement**

Fraud, waste, and mismanagement in the government concerns everyone: Office of the Inspector General staff, agency employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to OPM programs and operations. You can report allegations to us in several ways:

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**By Phone:** Toll Free Number: (877) 499-7295  
Washington Metro Area: (202) 606-2423

**By Mail:** Office of the Inspector General  
U.S. Office of Personnel Management  
1900 E Street, NW  
Room 6400  
Washington, DC 20415-1100