



Office of Inspector General Pension Benefit Guaranty Corporation

April 4, 2018

TO: Alice Maroni
Chief Management Officer

FROM: Nick Novak 
Deputy Inspector General

SUBJECT: Issuance of Special Report No. SR-2018- 13/RV-18-126
Review of PBGC's Customer Service Score Goal-Sharing Award Program

We reviewed PBGC's customer service score goal-sharing award program to determine whether the award measures serve the purpose of the program and contribute to the efficiency and economy of PBGC operations. This special report communicates the results of our review. It contains public information and will be posted on our website and provided to the Board and Congress in accordance with the Inspector General Act.

Summary

We found that the goal-sharing award program, however well-intended, has not resulted in a significant and sustained improvement in overall customer satisfaction. The program is not effectively designed to provide the desired impact on the agency's mission—improved customer satisfaction. Although PBGC has met the goal at least once a year, PBGC has not reviewed the results of the incentive program to determine if the program is resulting in desired sustained improvements. Based on our analysis, we recommend PBGC discontinue the goal-sharing program.

Background

PBGC has a tradition of high customer satisfaction. Its customer satisfaction scores are consistently among the highest in government and private industry. PBGC believes its history of exceptional customer satisfaction scores reflects the success of the agency's efforts. For example, PBGC regularly solicits feedback through customer satisfaction surveys.

In 2012, to incentivize PBGC's federal employees to improve customer satisfaction, then PBGC Director, Josh Gotbaum established a goal-sharing award program. Under the program, PBGC's Director establishes a customer satisfaction survey goal for the calendar year. Customers are randomly surveyed through PBGC's website on how well the Corporation delivers on its mission and the Corporation receives a monthly score. In a month when the Corporation meets or exceeds the goal, PBGC federal employees may receive a \$250 award. The Corporation may pay the award once during the first six months of the calendar year, and once during the last six.

OPM recognizes group incentive programs, like the Corporation's customer service score goal-sharing award program. OPM guidance states that such incentive programs can cover groups as large as an entire agency. But, no matter how large or small, to be effective an incentive program should include the following features:

- Measureable performance;
- Specified performance period;
- Threshold for payments;
- Payout formulas;
- Employee participation; and
- Agency commitment.

Details

Goal-Sharing Program Has Not Resulted in a Continued Increase in the Customer Satisfaction Scores

In the past 58 months, the Corporation has met the customer satisfaction goal only 13 times, resulting in 7 award payouts totaling approximately \$1.6 million. In March 2012, the Director set the customer satisfaction score goal at 72. PBGC exceeded the goal in July 2012 and the Director increased the goal to 73 in January 2013. In 2014, the Director increased the goal to 80. Since the increase, the Corporation met the goal five times. PBGC has no plans to raise the current goal because management believes a score of 80 is "aspirational, yet achievable." While the award program is currently about six years old and has resulted in low achievement of the goal, PBGC has not reviewed the program to determine if the program has improved overall customer satisfaction or if the measures used in the program are still appropriate and reliable.

According to OPM, group incentive programs require reliable, accepted measures of performance and the program must express desired goals in terms of those measures. We found the program is not effectively designed to provide the desired impact on the agency's

mission—improved customer satisfaction. Further, the performance measure, which is one of the key elements of a successful incentive program, was not fully addressed in the design and execution of the program. In particular, PBGC uses monthly fluctuating customer satisfaction scores as the basis for the awards, even when annual scores stay below the established goal.

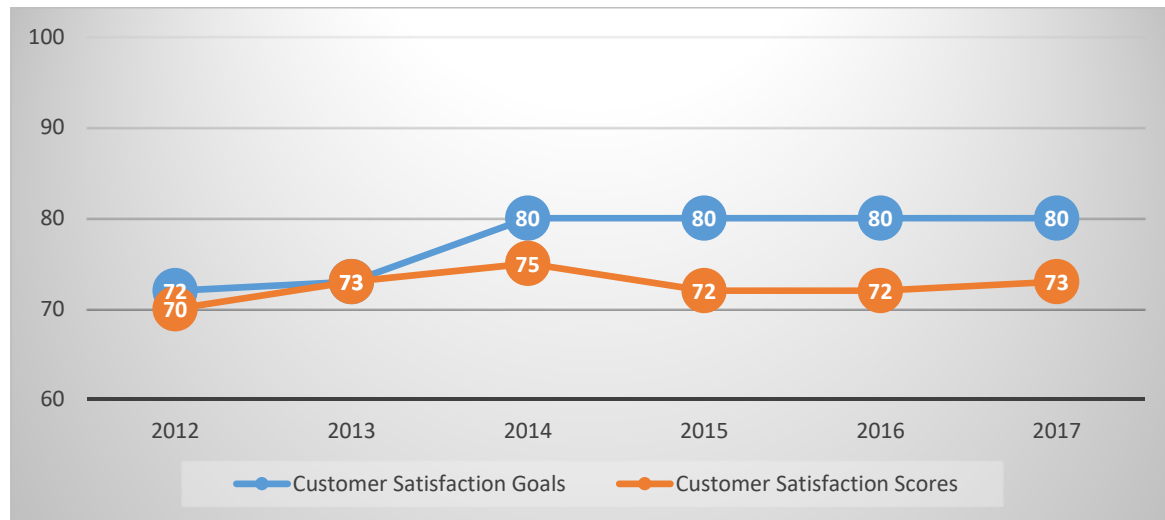
As reflected in Figure 1, since March 2012, the scores have fluctuated from 0 to 19 points. For example, in October 2014, the year the goal was set to 80, PBGC scored 72 on the customer satisfaction survey. In November 2014, the Corporations scored 85; this 13 point increase resulted in a payout of the goal-sharing award. However, the score dropped 8 points the following month and continued to drop over the next 12 months fluctuating in the upper 60s and low 70s. In December 2015, the score of 83 exceeded the goal. This pattern continued the following two years and the scores exceeded the goal only in December 2016, November 2017, and December 2017.

Figure 1: Customer Satisfaction Goals vs. Monthly Scores



Source: OIG analysis of PBGC Customer Satisfaction Goal and Scores (March 2012 – December 2017).

When comparing the goal to the annual average customer satisfaction score, we found the average annual score reached the goal only in 2013. As reflected in Figure 2, in each of the last four years, the average annual score was below the goal. Given PBGC's fluctuating scores and the low achievement of the goal on a monthly and annual basis, we found the use of the customer satisfaction survey as the performance measure was not effectively designed to improve customer satisfaction.

Figure 2: Comparison of Customer Satisfaction Goals and Annual Average Scores

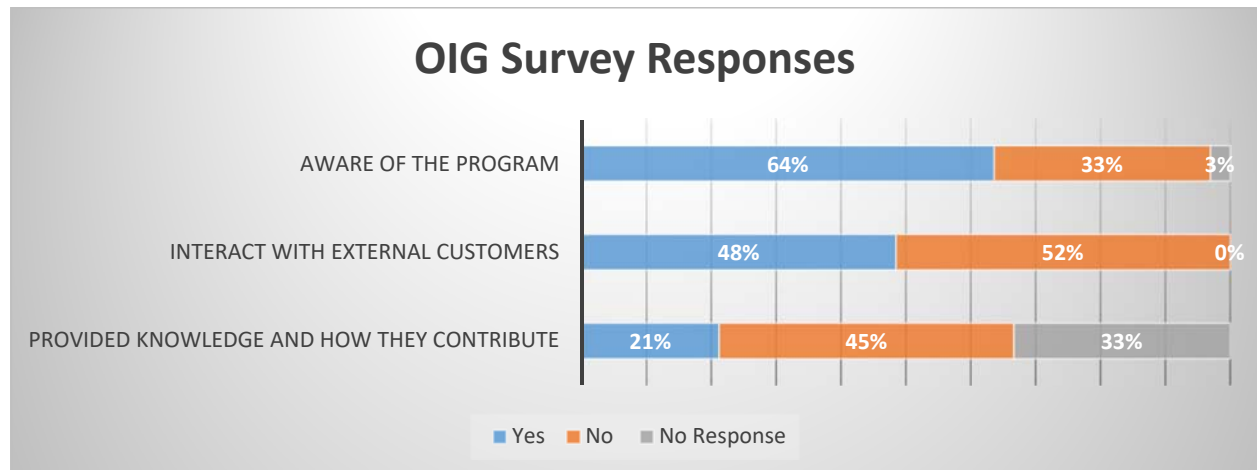
Source: OIG analysis of PBGC Customer Satisfaction Goal and Scores (March 2012 – December 2017).

Goal-Sharing Program Design Does Not Incentivize PBGC Employees

In 2012, then PBGC Director Gotbaum established the program to incentivize all PBGC employees to contribute to customer satisfaction (i.e., when monthly survey scores show customers believe the Corporation has delivered on its mission, all PBGC employees receive \$250). Gotbaum explained that the goal of the program was to unify staff with the idea that all serve the customer, resulting in overall improved customer satisfaction. However, we found employees lack an understanding of the program and their contribution to the program.

To assess employees' knowledge of the goal-sharing program and employees' contribution towards the program, we performed a survey of 33 PBGC federal employee as reflected in Figure 3. We found 11 employees (33 percent) did not know or had limited understanding of the purpose of the program and why they received the \$250 award. Of these 11 employees, 10 have worked 5 years or less at PBGC. Twenty-one employees, or 64 percent, are aware of the program. Fifteen of the 21 have worked over 5 years at PBGC. However, only 7 of the 21 (21 percent out of 33 employees surveyed) could explain its purpose and how they contribute to customer satisfaction. Some examples of PBGC employee responses about their contribution to the program are, "my interaction with external customers is relatively low compared to others and not measured in any direct way," and "seems like it mostly relates to how participants and retirees use PBGC website, so it doesn't really feel like my work contributes to the customer satisfaction survey."

Figure 3: OIG Survey Responses Analysis



Source: Analysis of OIG Survey Questions (February 2018.)

From the OIG survey, we found PBGC employees are not incentivized by the program due to a lack of knowledge of the program or understanding of the program. Staff who were employed at PBGC when the program was initiated in 2012 have a better understanding of the program than newer employees. Based on our limited survey, we concluded that PBGC did not ensure that newer employees were as well informed about the program and their contribution to the customer satisfaction.

Conclusion

Overall, we determined PBGC incurred a total cost of approximately \$1.6 million to reward its employees for participation in the goal-sharing program, yet the program has not resulted in a continued improvement in the customer satisfaction scores. Using the customer satisfaction survey as the performance measure did not effectively result in improved customer satisfaction due to employees lack of knowledge or understanding of the program. Based on our analysis, we recommend discontinuing the program.

Recommendation

We recommend the Office of Management and Administration:

1. Discontinue the customer service goal-sharing award program. (OIG Control Number OMA-1)

PBGC's Response and OIG's Evaluation

Resolved. PBGC agreed with the recommendation and plans to complete it by May 30, 2018. Closure can occur when the award program has been discontinued.

cc: Tom Reeder, Director
Marty Boehm, Director, Corporate Controls and Reviews Department
Nicole Puri, Risk Management Officer
Department of Labor Board staff
Department of Treasury Board staff
Department of Commerce Board staff

Appendix I: Objective, Scope, and Methodology

Objective

Our objective was to determine whether the award measures serve the purpose of the award and contribute to the efficiency, economy, or other improvement of PBGC operations.

Scope

To answer our objective, we analyzed customer satisfaction survey reports from the intranet and provided by management for the period of March 2012 through December 2017. We conducted this review from January through March 2018 in Washington, DC.

Methodology

To accomplish our objectives, we reviewed applicable regulations and PBGC Directive PM 20-2. We also reviewed prior reports and background information related to incentive programs. We interviewed PBGC management and the former Director of PBGC. We conducted a survey of 33 PBGC federal employees to assess their knowledge of the program.

We conducted the review under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspections issued by the Council of the Inspectors General on Integrity and Efficiency.

Appendix II: Potential Monetary Benefits

This table identifies the amount of potential monetary benefit if OIG recommendation is implemented. The amount of the potential benefit is estimated based on the total amount of FY 2018 goal-sharing awards paid.

Recommendation	Type of Benefits	Amount of Benefit
1	Funds put to better use	\$225,250

Appendix III: Management Response



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March 29, 2018

Mr. Nick Novak
Deputy Inspector General
Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005-4026

Dear Deputy Inspector General Novak:

Thank you for the opportunity to provide the Pension Benefit Guaranty Corporation's (PBGC's) Management's Response to the recommendations found in the Office of Inspector General's (OIG's) Draft Special Report No. RV-18-126 pertaining to the *Review of PBGC's Customer Service Score Goal-Sharing Award Program*.

We appreciate the OIG recognizing that the goal sharing award program was well-intended and that PBGC has a tradition of providing high customer satisfaction. We value your efforts to determine whether the award improves customer satisfaction and contributes to the efficiency and economy of PBGC's operations.

Draft Special Report No. RV-18-126 reaches several conclusions that warrant consideration. Key points include:

- While well-intended, the goal sharing award program has not resulted in substantial and continuous improvement in customer satisfaction
- Flaws in the program's design prevent it from meeting its mission to improve customer satisfaction
- While PBGC has met the goal once a year, the agency has not undertaken a review of the program's results to evaluate its ongoing effectiveness.

These are among the reasons the OIG recommends discontinuing the program. PBGC concurs with the OIG's recommendation to discontinue the program.

Sincerely,

A handwritten signature in black ink, appearing to read "Alice Maroni", written over a horizontal line.

Alice Maroni
Chief Management Officer

Appendix IV: Acronyms

OPM	Office of Personnel Management
OIG	Office of the Inspector General
PBGC	Pension Benefit Guaranty Corporation

Appendix V: PBGC OIG Contact and Staff Acknowledgement

PBGC OIG Contact

Nick Novak, (202) 326-4000, extension 6535 or
novak.nick@pbgc.gov.

Staff Acknowledgement

In addition to the contact named above, Brooke Holmes, Audit Manager; Anna Oglesby, Auditor-In-Charge; and Tiara Grotte, Auditor, made key contributions to this report.

Appendix VI: Feedback

Please send your comments, suggestions, and feedback to OIGFeedback@pbgc.gov and include your name, contact information, and the report number. You may also mail comments to us:

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If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 326-4030.