NATIONAL SECURITY AGENCY/CENTRAL SECURITY SERVICE

INSPECTOR GENERAL REPORT

Unclassified Summary

Audit of the Agency’s Retention Incentive Program

28 October 2020

NOTE: A classified version of the Audit of the Agency's Audit of the Retention Incentive Program formed the basis of the unclassified version.

Objective

The overall objective of the audit was to assess the economy and effectiveness of the National Security Agency's (NSA) retention incentive program, and determine whether the Agency had adequate internal controls to ensure that retention incentives were awarded in accordance with applicable policy and procedures.

Background

Retention incentives are used as a compensation tool to maintain a critical workforce. DoD Instruction (DoDI) 1400.25, Vol. 2006, *DoD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Compensation Administration* (updated Dec. 29, 2015), provides that "[p]ayment of special incentives to...retain...employees critical to the mission of an organization will be provided on the same basis as the implementing regulations" in 5 Code of Federal Regulations (CFR) Part 575. 5 CFR Chapter 1 Subpart C – "Retention Incentives" § 575.301-575.314 allows federal agencies to increase basic pay to retain employees who possess "unusually high or unique qualifications" or meet "special need of the agency for the employee's services," and who are likely "to leave in the absence of an incentive."

NSA offers two types of retention incentives: individual and group.

- Individual retention incentives are paid to individual civilian employees who have unusually high or unique qualifications and are likely to leave federal service in the absence of an incentive. Individual retention incentives can be authorized for up to 25 percent of an employee's basic pay. Within this program, Agency managers authorize the individual retention incentives while Human Resources approves and processes the payment.
- Group retention incentives are typically authorized to similar civilian employee work groups who have unusually high or unique qualifications and employees who otherwise would be likely to leave federal service. Group retention incentives can be authorized for up to 10 percent of an employee's basic pay. As of the initiation of our audit, the Agency paid three types of group incentives based on work roles: the Contracting Office contracting specialist group, the polygrapher program, and a group consisting of specific types of cyber operators, development specialists, and analysts, referred to herein collectively as the "Cyber Incentive Program."[1]

The number of employees and total dollars paid in the various retention incentive groups from 17 March 2018 through 18 March 2019 is set forth in Table 1 below.

[1] During the course of this audit, the Agency discontinued the polygraphers retention incentive program and implemented a Targeted Local Market Supplement for polygraphers as approved by the Under Secretary of Defense – Intelligence.

Table 1. Retention Incentives Paid From 17 March 2018 Through 18 March 2019

Type	Employees Receiving Incentives	Total Dollars Paid
Individual Retention Incentive	190	$3,460,549
Group Retention Incentives		
Contracting	263	$2,023,581
Polygraphers	79	$671,594
Cyber Incentive Program	704	$10,564,779
Total	**1,236**	**$16,720,500**

Findings

During the audit conducted from March to November 2019. The NSA Office of the Inspector General (OIG) found the following:

Finding 1: The Agency's Retention Incentive Program Had Limited Administrative Oversight

No Formalized Training or Procedures

Authorizing Individual Retention Incentives. Although the Agency has a policy manual that sets guidelines for incentives, the OIG found that there was no guidance or training for Agency managers to determine if an individual retention incentive was appropriate, and the Agency website had only limited information on the program. In addition, we found that although the retention incentive program was not designed to be evenly distributed across directorate, gender, and ethnicity, the individual retention incentives that were authorized based on management judgment were not evenly distributed across the Agency's directorates and did not reflect the Agency's civilian population by gender, although it did represent the Agency's civilian population by race/ethnicity. Specifically, we found that 91 percent of individual retention incentives over the period of our review were received by employees of the Operations and Capabilities Directorates, which had a high concentration of technical work roles, while other directorates had relatively few or no individuals receiving such incentives. We concluded that this disparity was at least in part due to a lack of understanding of Agency managers regarding the eligibility requirements. We also found that only 14 percent of individual retention incentives were authorized to women, even though they comprised 41 percent, or an almost three times greater percentage of the total civilian workforce. The OIG did find that the percentage of individual retention incentives based on race/ethnicity approximated the general Agency population, with 21 percent of such incentives awarded to minority personnel, who comprised 24 percent of the workforce.

Approving Individual Retention Incentives. The OIG found that Human Resources did not have SOPs or specific additional authorization criteria when reviewing approval forms. This led to questionable employee selection and discrepancies between suggested retention incentive amounts, with 30 percent of the randomly selected incentive packages not explaining the employee's unique skill, 39 percent not explaining that the employee was likely to leave or the basis for such a belief, 35 percent exceeding the Agency-suggested market calculation without any explanation, and 75 percent of incentive renewal justifications copied exactly from previous years. We also found inconsistencies based on employees' grade and ACE scores, all of which reflected a heightened risk of inconsistency and the selection of unqualified employees for individual retention incentive percentages.

Processing Individual and Group Retention Incentives. The OIG reviewed the incentive approval and renewal process and found general control deficiencies and policy violations which created overpayment errors including payments beyond the approved retention incentive period. We found that 23 percent of the employees who received overpayments resigned from the Agency within a month of the overpayment being identified; though we could not determine the reasons for their departures, this relatively high correlation caused us to question if they were related, at least in part, to administrative errors and required repayments resulting therefrom.

Program Goals were Undefined

Individual Retention Incentives. The Agency could not provide evidence of defined documented goals, return on investment reviews, or employees who were offered and rejected individual retention incentives. The OIG conducted independent data analysis in an effort to assess the effectiveness of the individual retention program, and found 45 employees who received a retention incentive for at least five consecutive years, and may therefore consider it to be a permanent pay increase, and 186 employees who resigned after receiving a retention incentive within the past five years, of which 162, or 87 percent resigned while actually receiving a retention incentive. While this data analysis was not conclusive in establishing any particular deficiency, it led the OIG to conclude that more examination by the Agency is necessary to determine the effectiveness of the individual retention incentive program.

Cyber Incentive Program. We identified various concerns regarding the Cyber Incentive Program, which is the Agency's largest group retention incentive. These included issues with the program's potential impact on morale with the risk of creating "haves and have nots" within organizations, incentives to shift work roles and incentivize certain missions, and budgetary risk to other programs.

Finding 2: The Agency's Paid at least $4.2M in Unauthorized Retention Incentives

Cyber Incentive Program Retention Incentive Percentages Over 10 percent

While the Cyber Incentive Program allows for group retention incentives ranging from 10 to 40 percent, Title 5, Code of Federal Regulations, Section 575.309(a) states that such incentives may not exceed 10 percent without obtaining a waiver.

The OIG questioned the payment of the percentages above 10 percent and learned that the Agency requested and obtained a waiver from the Department of Defense for one of the applicable work roles, but failed to do so for the other applicable role. Since inception, therefore, employees with the latter role received unauthorized retention incentives over 10 percent totaling $3,126,811.

Reporting Cyber Incentive Program Retention Incentive Percentages Over 25 Percent

The OIG also found that the Agency failed to submit three quarterly reports as required by the waiver referenced above for approved personnel who received over a 25 percent Cyber Incentive Program incentive. The OIG found that there were three such individuals in the Cyber Incentive Program who were paid unauthorized retention incentives totaling $75,636.

Employees Have Received What May Be Concurrent Retention Incentive

The OIG found the Agency may have granted 153 employees concurrent retention incentives in violation of the CFR and Agency policy, amounting to $1,012,500. The Agency maintained that it was compliant, as one of the concurrent payment types, which was made available through a Department of Defense program, was not a retention incentive but a monetary award. However, the Agency failed to conclusively determine the compensation type. After further review, the OIG determined the payment did not appear to meet the definition of a monetary award or any other compensation type, and appeared to be a retention incentive, and we concluded that the Agency, in consultation with DoD, needed to definitively resolve the issue.

Conclusion

The OIG concluded that the NSA lacked administrative controls necessary to ensure that it was properly determining eligibility and incentives in a consistent manner. Moreover, we found that without more defined program goals and a documented process for evaluating success, the Agency cannot determine whether the program is effectively expending Agency resources in retaining key personnel, and doing so without risk to other work roles and programs. Additionally, we found that the Agency paid significant amounts in what the OIG determined were or may be noncompliant group retention incentives. The OIG made 12 recommendations to assist the Agency in addressing these issues. The Agency agreed with all of the OIG's recommendations; three were closed upon issuance of the audit, and the OIG found that the actions planned by the Agency met the intent of the remaining recommendations.