



Report to the Committee on Armed
Services, U.S. Senate

December 2009

DOD CIVILIAN PERSONNEL

Intelligence Personnel System Incorporates Safeguards, but Opportunities Exist for Improvement



GAO

Accountability * Integrity * Reliability

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE DEC 2009		2. REPORT TYPE		3. DATES COVERED 00-00-2009 to 00-00-2009	
4. TITLE AND SUBTITLE DOD Civilian Personnel. Intelligence Personnel System Incorporates Safeguards, but Opportunities Exist for Improvement				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 71	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			



Highlights of [GAO-10-134](#), a report to the Committee on Armed Services, U.S. Senate

Why GAO Did This Study

Since 2001, GAO has designated strategic human capital management as a high-risk area because of the federal government's long-standing lack of a consistent approach to such management. In 2007, the Under Secretary of Defense for Intelligence (USD(I)) began developing a human capital system—called the Defense Civilian Intelligence Personnel System (DCIPS)—to manage Department of Defense (DOD) civilian intelligence personnel. In response to a congressional request, GAO examined the extent to which DOD has (1) incorporated internal safeguards into DCIPS and monitored the implementation of these safeguards and (2) developed mechanisms to identify employee perceptions about DCIPS. GAO analyzed guidance, interviewed appropriate officials, and conducted discussion groups with employees at select DOD components. At the end of GAO's review, legislation was enacted that impacts, among other things, how DCIPS employees will be paid.

What GAO Recommends

GAO recommends that DOD issue guidance to involve employees in system design and implementation and guidance for the analysis of final performance ratings using demographic data; finalize and execute its evaluation plan to assess the system, including the safeguards; and implement mechanisms that comprehensively identify employee perceptions. DOD concurred with all four recommendations.

View [GAO-10-134](#) or [key components](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

DOD CIVILIAN PERSONNEL

Intelligence Personnel System Incorporates Safeguards, but Opportunities Exist for Improvement

What GAO Found

While early in its implementation of DCIPS, DOD has taken some positive steps to incorporate 10 internal safeguards to help ensure the fair, effective, and credible implementation of the system; however, opportunities exist to immediately improve the implementation of two of these safeguards, and continued monitoring of all is needed. For example, one safeguard requires employees to be trained on the system's operations, and GAO noted that DOD had provided extensive training to employees on DCIPS to include several Web-based and classroom courses. For another safeguard—which requires ongoing performance feedback—GAO noted that DOD's guidance requires feedback between employees and supervisors at the midpoint and at the close of the performance rating cycle. However, GAO determined that in the case of two safeguards—involving employees and fully implementing the merit principles—DOD could immediately improve its implementation. First, while DOD has leveraged mechanisms like town hall meetings and “brown bags” to involve employees in DCIPS, its guidance does not identify a formalized process for the continuous involvement of employees in the system implementation—which could ultimately undermine its credibility. Second, while DOD has stated that it will conduct an analysis of final ratings utilizing demographic data, DOD does not have a written policy outlining how this will be accomplished, and therefore may be unable to fully determine whether potential barriers to fair and equitable ratings exist. Without steps to improve implementation of this safeguard, employees may lack confidence in the system. Finally, GAO previously reported—for systems like DCIPS—that continued monitoring of such systems' safeguards is needed to help ensure agency actions are effective. In October 2009, DOD provided GAO with a draft DCIPS evaluation plan that would be executed after the first payout in January 2010. Without finalizing and executing the plan, DOD will not know if it has achieved desired outcomes from the system.

DOD has used several mechanisms to provide employees with information; however, these mechanisms do not comprehensively identify and address employee perceptions of DCIPS. For example, USD(I), among other things, maintains a Web-site that contains frequently asked questions submitted by employees and responses by USD(I). Absent, however, are mechanisms to systematically identify employee perceptions. The nongeneralizable results of the discussion groups GAO conducted with employees and supervisors yielded mixed views. For example, participants generally expressed positive views about the concept of pay for performance. But participants at most of the Intelligence Components noted that DCIPS was being implemented too quickly or many questions went unanswered. Although DOD officials have drafted surveys that will allow them to more comprehensively collect employee perceptions about DCIPS, these surveys lack questions that would provide insight about employee perceptions of certain safeguards and overall acceptance of DCIPS. Without including such questions and expeditiously implementing its surveys, DOD will not have clear insight into employee perceptions.

Contents

Letter		1
	Results in Brief	7
	Background	11
	DOD Has Taken Steps to Incorporate Internal Safeguards into DCIPS, but Two Safeguards and Monitoring Have Not Been Fully Implemented	19
	DOD Had Several Mechanisms to Provide Information to Employees, but These Did Not Comprehensively Identify Employee Perceptions of DCIPS, and Future Mechanisms Do Not Include Some Needed Questions	30
	Conclusions	33
	Recommendations for Executive Action	34
	Agency Comments and Our Evaluation	35

Appendix I	The National Intelligence Civilian Compensation Program	38
-------------------	--	-----------

Appendix II	Merit System Principles	40
--------------------	--------------------------------	-----------

Appendix III	Scope and Methodology	42
---------------------	------------------------------	-----------

Appendix IV	Defense Civilian Intelligence Personnel System Compared to the National Geospatial-Intelligence Agency System	49
--------------------	--	-----------

Appendix V	Training Curriculum	51
-------------------	----------------------------	-----------

Appendix VI	Defense Civilian Intelligence Personnel System Comparison with the National Security Personnel System	53
--------------------	--	-----------

Appendix VII	Comments from the Department of Defense	55
Appendix VIII	Comments from the Office of the Director of National Intelligence	59
Appendix IX	GAO Contact and Staff Acknowledgments	63
Related GAO Products		64

Tables

Table 1: Composition of Discussion Groups by Demographic Category per Component.	47
Table 2: DCIPS and Total Pay Compensation Comparison.	49
Table 3: Selected DCIPS Training Curriculum	51
Table 4: DCIPS and the National Security Personnel System Comparison	53

Figures

Figure 1: U.S. Intelligence Community's Pay Modernization Framework and Efforts	13
Figure 2: DCIPS Implementation Timeline	15
Figure 3: Sample DCIPS Pay Pool Structure	17
Figure 4: DCIPS Pay Band Structure	18
Figure 5: Alignment of SMART Objectives to National Intelligence Strategy Goals	20

Abbreviations

DOD	Department of Defense
DCIPS	Defense Civilian Intelligence Personnel System
ODNI	Office of the Director for National Intelligence
SMART	Specific, measurable, achievable, relevant, and time-limited
USD(I)	Under Secretary for Defense (Intelligence)

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office
Washington, DC 20548

December 17, 2009

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

Since 2001, we have designated strategic human capital management as a high-risk area because of the federal government's long-standing lack of a consistent approach to such management.¹ We have previously reported that strategic human capital management can be a powerful lever for affecting transformational change.² Additionally, in our 2009 High-Risk Series update, we identified the importance of having committed and sustained top leadership in agencies across the federal government to address this challenge and of developing a clear linkage between individual employee performance and organizational success to create and maintain a more results-oriented, customer-focused, collaborative, diverse, and inclusive workforce.³ In a 2008 report to Congress, the Office of the Director for National Intelligence (ODNI) noted that, in the aftermath of the terrorist attacks of September 11, 2001, and prior to Operation Iraqi Freedom, congressional and presidential reviews identified significant institutional, cultural, and organizational factors that impeded the Intelligence Community from operating in an effective and collaborative manner.⁴ As an example, the report noted that one such review concluded that the U.S. Intelligence Community (1) had failed to encourage joint personnel assignments that could break down cultural

¹GAO, *High-Risk Series: An Update*, [GAO-09-271](#) (Washington, D.C.: January 2009); *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: January 2007); *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005); and *High-Risk Series: An Update*, [GAO-03-119](#) (Washington, D.C.: January 2003).

²GAO, *21st Century Challenges: Transforming Government to Meet Current and Emerging Challenges*, GAO-05-830T (Washington, D.C.: July 2005); GAO-09-271.

³[GAO-09-271](#).

⁴Office of the Director for National Intelligence, *United States Intelligence Community Report on IC Pay Modernization: Response to Section 308 of H.R. 2082, the Intelligence Authorization Act for Fiscal Year 2008 (April 22, 2008)*.

barriers and foster collaboration amongst the various intelligence agencies; (2) contained personnel systems that were ill-suited to hire and retain the most talented young people, who could often earn far more money outside the government; and (3) had compensation systems—like the General Schedule System—that were too often tied to “time-in-grade,” rather than demonstrated achievement.⁵ The commission recommended, among other things, that ODNI establish a central human resources authority for the Intelligence Community;⁶ create a uniform system for performance evaluations and compensation; and develop a more comprehensive and creative set of performance incentives.⁷ To this end, both ODNI and the Under Secretary of Defense for Intelligence (USD(I))—the primary organization responsible for development and oversight of DOD’s intelligence community personnel system—have consistently emphasized their commitment to reforming and modernizing the disparate personnel systems used throughout the Intelligence Community.

Specifically, as part of a comprehensive approach to consistently modernize compensation across the U.S. Intelligence Community, ODNI has taken steps to develop a pay modernization framework to help prevent inequality in pay, ensure a level playing field, help the Intelligence Community compete with the private sector for employees with critical skills, and retain a competitive workforce. ODNI officials stated that this pay modernization framework will also help bring the U.S. Intelligence Community closer together and act as a true community and not simply an association of agencies with similar and related missions.⁸ According to ODNI officials, to address the personnel challenges in the Intelligence

⁵The Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction: *Report to the President of the United State* (March 31, 2005). This Commission was directed to assess whether the Intelligence Community was sufficiently authorized, organized, equipped, trained, and resourced to identify and warn the U.S. government of the proliferation of weapons of mass destruction.

⁶The Director of National Intelligence is the head of the Intelligence Community and is responsible for integrating foreign, military, and domestic intelligence in defense of U.S. interests at home and abroad. The intelligence community comprises the Central Intelligence Agency and the intelligence components of the Departments of Defense, Energy, Homeland Security, State, Treasury, and intelligence offices within the U.S. Coast Guard, the Drug Enforcement Administration, and the Federal Bureau of Investigation.

⁷The Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, “A Report to the President of the United States” (March 31, 2005).

⁸According to these officials, this is a key objective of the Intelligence Reform and Terrorism Prevention Act of 2004.

Community that mirror those found throughout the rest of the executive branch, the Director of National Intelligence launched the National Intelligence Civilian Compensation Program. Further, according to these same officials, the National Intelligence Civilian Compensation Program is a modern performance management and pay-for-performance initiative for the U.S. Intelligence Community, which is intended to replace the existing obsolete compensation systems used in much of the U.S. Intelligence Community. Specifically, the National Intelligence Civilian Compensation Program is an overarching framework established by various Intelligence Community directives, which sets forth common performance management and pay rules for this community. See appendix I for a detailed discussion of the National Intelligence Civilian Compensation Program. Using this framework, among other things, USD(I), in 2007, began developing a human capital system—called the Defense Civilian Intelligence Personnel System (DCIPS)—to manage civilian intelligence personnel in the Department of Defense (DOD) intelligence components.⁹ The statutory authority for this system originated in the National Defense Authorization Act for Fiscal Year 1997,¹⁰ which provided DOD the authority to create a pay-for-performance system for the defense Intelligence Community—the National Geospatial-Intelligence Agency was the first DOD organization to implement this authority in 1998. In 2006, the ODNI, in partnership with all of the elements of the U.S. Intelligence Community, adopted the National Geospatial-Intelligence Agency’s piloted model in its design.

In 2008, the Senate Armed Services Committee asked us to review the implementation of DCIPS. In response to this request, we examined the extent to which DOD has (1) incorporated internal safeguards into DCIPS and monitored the implementation of the safeguards and (2) developed mechanisms to identify employee perceptions about it.

⁹The nine DOD intelligence components include the Defense Intelligence Agency, the National Geospatial-Intelligence Agency, the National Reconnaissance Office, the National Security Agency, the Office of the Under Secretary of Defense for Intelligence, and the intelligence elements of the Army, Navy, Marine Corps, and Air Force. Although the Defense Security Service does not employ intelligence personnel, it will also be covered by DCIPS because that organization reports directly to the USD(I).

¹⁰The authority for DCIPS is codified in 10 U.S.C. §§ 1601-1614. Further, 10 U.S.C. § 1601 was amended in 2000 to authorize the Secretary of Defense to include in DCIPS civilian personnel who perform intelligence functions, but who are not employees of a DOD intelligence component. Pub. L. No. 106-398, § 1141 (2000).

At the end of GAO's review, legislation was enacted that contains provisions that affect DCIPS.¹¹ Specifically, provisions of the National Defense Authorization Act for Fiscal Year 2010 suspended the fixing of "rates of basic pay" under DCIPS "for employees and positions within any element of the Intelligence Community," except for the National Geospatial-Intelligence Agency. The act also required "rates of basic pay" to be fixed in accordance with provisions of law that (disregarding DCIPS) would otherwise apply, during the period beginning on the date of the enactment of the defense authorization act and ending on December 31, 2010. The act further required the Secretary of Defense, the Director of the Office of Personnel and Management, and the Director of National Intelligence to jointly designate an independent organization to review the operation of DCIPS. The Secretary of Defense, the Director of the Office of Personnel and Management, and the Director of National Intelligence are required, under the act, to submit to the congressional oversight committees a written report describing any actions that the Secretary has taken or proposes to take in response to the report of the independent organization. Additionally, the provisions require the Secretary of Defense to submit to the congressional oversight committees a written description of any actions taken or proposed to be taken by the Secretary in response to GAO's review and recommendations regarding DCIPS. On November 3, 2009, the USD(I) stated in a memorandum to the defense intelligence workforce, that the legislation did not repeal or terminate DCIPS, but suspended certain provisions of the DCIPS pay-setting regulations until December 31, 2010. The memorandum further noted that the National Geospatial-Intelligence Agency would be the only defense intelligence component to continue under all DCIPS regulations—including all of the performance-based pay adjustment processes included in the regulations. According to the memorandum, eligible employees in the remaining intelligence components will not receive a payout under DCIPS but will receive scheduled increases equivalent to step increases under the General Schedule structure, as well as the full General Pay Increase and locality pay, in January.

To address our first objective, we analyzed guidance issued by the Director of National Intelligence and the USD(I) and interviewed key DOD officials to determine the extent to which DOD has incorporated internal safeguards identified in our prior work on human capital management

¹¹The National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84 (2009).

issues. Specifically, we assessed the extent to which DOD has incorporated the following 10 performance management safeguards:¹²

- Assure that the agency's performance management system links employee objectives to the agency's strategic plan, related goals, and desired outcomes.
- Implement a pay-for-performance evaluation system to better link individual pay to performance and provide an equitable method for appraising and compensating employees.
- Provide adequate training and retraining for supervisors, managers, and employees in the implementation and operation of the performance management system.
- Institute a process for ensuring ongoing performance feedback and dialogue between supervisors, managers, and employees throughout the appraisal period and setting timetables for review.
- Assure that the agency's performance management system results in meaningful distinctions in individual employee performance.¹³
- Provide a means for ensuring that adequate agency resources are allocated for the design, implementation, and administration of the performance management system.
- Assure that there is an independent and credible employee appeals mechanism.
- Assure that there are reasonable transparency and appropriate accountability mechanisms in connection with the results of the performance management process, including periodic reports on internal assessments and employee survey results relating to performance management and individual pay decisions while protecting individual confidentiality.

¹²The safeguards identified for this report are, however, derived from our extensive work on human capital management. Examples of this work include: GAO, *Human Capital: DOD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System*, [GAO-08-773](#) (Washington, D.C.: September 2008); *Post-Hearing Questions for the Record Related to the Department of Defense's National Security Personnel System (NSPS)*, [GAO-06-582R](#) (Washington, D.C.: September 2008); *Human Capital: Designing and Managing Market-Based and More Performance-Oriented Pay Systems*, [GAO-05-1048T](#) (Washington, D.C.: September 2005); and *Posthearing Questions Related to Strategic Human Capital Management*, [GAO-03-779R](#) (Washington, D.C.: May 2003). ODNI's Intelligence Community Directive 650, *National Intelligence Civilian Compensation Program: Guiding Principles and Framework* (Effective April 28, 2008), also articulates a number of safeguards to be incorporated into the National Intelligence Civilian Compensation Program, some of which are similar to those we have previously reported on in our human capital work.

¹³This safeguard also accounts for an internal grievance process to address employee complaints, such as the reconsideration of ratings.

-
- Involve employees in the design of the system, to include employees directly involved in validating any related implementation of the system.
 - Adhere to merit principles set forth in section 2301 of title 5 of the U.S. Code. (For example, section 2301 (b)(2) deals with fair and equal treatment, regardless of factors such as political affiliation, race, color, sex, age, or handicapping condition and section 2301 (b)(8)(A) says that employees should be protected against arbitrary action, personal favoritism, and coercion for partisan political purposes.) (The merit principles are listed in their entirety in appendix II.)

To address our second objective, we examined the extent to which DOD had mechanisms in place to identify employee perceptions about DCIPS and reviewed DOD surveys and information about DCIPS on defense intelligence component Web sites. We also reviewed town hall meetings about DCIPS and interviewed headquarters level DCIPS staff responsible for implementing DCIPS at each of the nine defense intelligence components and the Defense Security Service. To obtain insight into employee perceptions and opinions of DCIPS, we visited seven DOD intelligence components and conducted 26 nongeneralizable discussion groups.¹⁴ For each of the seven DOD intelligence components, we conducted separate discussion groups for employees and supervisors both in the Washington, D.C., area at each organization's headquarters, as well as at three field locations in the United States to determine if employee perceptions varied by location.¹⁵ While the information from our discussion groups is not generalizable to the entire population of DOD civilian intelligence personnel, this information provides insight into civilian intelligence personnel perceptions about the implementation of

¹⁴We conducted discussion groups with seven of the nine defense intelligence components. Specifically, our sample included civilian intelligence personnel from the intelligence elements of the Navy, Marine Corps, and civilian intelligence personnel from the Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, National Security Agency, and the office of the Under Secretary of Defense for Intelligence. We excluded from our sample discussion groups civilian intelligence personnel from the intelligence elements within the Army and Air Force, and personnel from the Defense Security Service because these organizations, at the time of our study, had plans to begin implementing in July 2009, August 2009 and October 2009, and thus, had not yet implemented DCIPS to the extent that the other seven defense intelligence components had.

¹⁵The specific locations we visited are omitted from this report since that information is classified. Further, at some locations, we were able to conduct multiple discussion groups with defense intelligence components.

DCIPS. However, other employees and supervisors under DCIPS who did not participate in our discussion groups may have different perceptions.

We conducted this performance audit from November 2008 through November 2009 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. A more thorough description of our scope and methodology is provided in appendix III.

Results in Brief

While early in its implementation of DCIPS, DOD has taken some positive steps to incorporate 10 internal safeguards into DCIPS, but opportunities exist to immediately improve the implementation of 2 of these safeguards and continued monitoring of all of the safeguards is needed. For example, DOD has taken some steps to, among other things, provide extensive training to employees on DCIPS and require feedback between employees and supervisors at the mid-point and at the close of the performance rating cycle. However, additional steps could be taken to help ensure (1) continuous employee involvement in DCIPS and (2) the implementation of merit principles regarding the need for an independent analysis of ratings. More specifically:

- DOD has taken steps to involve employees in the implementation of DCIPS; however, opportunities exist to expand this involvement by establishing a formal process for the continued involvement of employees in the system. As we previously reported, leading organizations involve employees directly and consider their input before finalizing key decisions. We further stated that such involvement in system design and implementation must be early, active, and continuous if employees are to gain a sense of understanding and ownership of the changes that are being made.¹⁶ At the time of our review, DOD had sought employee input through several mechanisms, including a survey that validated performance competencies for DCIPS and numerous Town hall meetings with employees¹⁷—both domestically and overseas—to provide employees

¹⁶GAO, *Post-Hearing Questions Related to the Department of Defense's National Security Personnel System*, [GAO-05-644](#) (Washington, D.C.: April 2005).

¹⁷This survey was for official use only.

information about DCIPS. While these steps demonstrate a commitment to engage the workforce, DOD has not taken advantage of other opportunities to expand such efforts by establishing a formal process for the continuous involvement of employees in DCIPS. Specifically, DCIPS guidance does not identify a formalized process for the continued and direct involvement of employees in the development and implementation of DCIPS. Employees and supervisors in discussion groups at 12 of the 13 sites we visited indicated that they felt they had limited or no involvement in the design and implementation of the system. Without continuous employee involvement in the implementation of DCIPS, employees may experience a loss of ownership over the system, which could ultimately undermine its credibility. We are therefore recommending that DOD issue guidance to institutionalize a process to involve employees continually in future design and implementation changes.

- DOD has taken steps to ensure that DCIPS incorporates the merit principles set forth in section 2301 of title 5 U.S. code.¹⁸ However, DOD may be unable to fully determine whether ratings are fair and equitable because the department does not have a written policy outlining how it will analyze final ratings by demographic categories/groups; how the components will identify potential barriers, if they exist; or what DOD will do, if anything, with the results of that analysis. The Office of Personnel Management has noted that, prior to rolling out an alternative personnel system, an agency should document its business processes and procedures associated with all aspects of the system.¹⁹ In September 2009, USD(I) provided us with the “2009 DCIPS Guidance on Pay Pools and Reporting of Results,” which stipulates that no later than March 31, 2010, components will provide the USD(I) Human Capital Management Office with detailed data, including demographic analysis, on performance evaluation and payout results for 2009. While notable, this 2009 document does not specify what data is to be collected for DOD’s analysis of demographics; how the data should be analyzed; what process the components should follow to investigate potential barriers to fair and equitable ratings and their causes; or a process for eliminating barriers that are found. Until DOD specifies

¹⁸Section 2301 of title 5 of the U.S. Code sets out the merit principles. One principle states that employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights.

¹⁹Office of Personnel Management, Alternative Personnel Systems Objectives-Based Assessment Framework Handbook, (Washington, D.C.: October 2008).

these steps in guidance, the intelligence components may not follow a consistent approach in these areas, the department may be unable to fully determine whether potential barriers to fair and equitable ratings exist, and employees may then lack confidence in the fairness and credibility of the DCIPS and its ratings. To help ensure equity, fairness, and non-discrimination in ratings, we are recommending that DOD issue guidance on its analysis of finalized ratings that explains how the demographic analysis of ratings is to be conducted.

Additionally, we have previously reported with another pay-for-performance system that continued monitoring of the safeguards is needed to help ensure that a department's actions are effective as implementation of such performance management systems progresses.²⁰ We also noted that adequate evaluation procedures would, among other things, facilitate better congressional oversight, allow for any midcourse corrections, assist DOD in benchmarking its progress, and help document best practices and lessons learned with employees and other stakeholders.²¹ In October 2009, DOD provided us with a draft evaluation plan that details tentative procedures to monitor and evaluate DCIPS implementation, including all of the safeguards. According to DOD officials, they do not expect to execute the evaluation plan until after the first payout in January 2010. DOD's efforts to develop an evaluation plan are notable; however, without finalizing and executing such a plan, the department will not have a clear understanding of whether it is achieving its desired outcomes when implementing the new performance management system for its intelligence components. To help ensure the department evaluates the impact of DCIPS, we are therefore recommending that it take steps to finalize and execute its evaluation plan to assess the system, including the implementation of the internal safeguards.

At the time of our review, DOD used several mechanisms to provide employees with information and respond to questions; however, these mechanisms do not comprehensively identify and address employee perceptions of DCIPS. For example, each of the defense intelligence components has conducted numerous Town hall meetings to brief employees on DCIPS. In addition, USD(I) maintained a Web site that publishes responses to frequently asked questions. While notable, these

²⁰ [GAO-08-773](#).

²¹ [GAO-05-730](#).

efforts do not directly assess employees' perceptions of DCIPS. The nongeneralizable results of the discussion groups we conducted identified, among other things, mixed views about certain aspects of the system. For example, employees and supervisors generally expressed positive views about the concept of pay for performance; however, employees at most of the components noted that they were frustrated because, among other things they felt that the implementation of DCIPS was moving too quickly or that many questions about DCIPS went unanswered. While DOD's mechanisms and the results of our discussion groups provide insight to DCIPS officials on the intelligence employees' perceptions, they do not comprehensively identify and address employee perceptions of DCIPS. We have previously reported that high-performing organizations continuously review and revise their performance management systems based on data-driven lessons learned and changing needs in the environment.²² Consistent with this approach, USD(I) officials have drafted four surveys that will cover various parts of DCIPS, such as training and be accompanied by guidance on how to assess survey results. However, these surveys lacked questions that would provide insight on certain aspects of the safeguards, such as the likelihood that an employee would use the internal grievance process to challenge a rating that was perceived to be unfair.²³ Moreover, the surveys—at the time—did not directly ask questions about or measure employee overall acceptance of DCIPS. Until DOD incorporates such questions and implements its mechanisms, DOD may not be able to comprehensively and accurately identify and measure employee perceptions. We are therefore recommending that DOD expeditiously implement mechanisms—including the four surveys—that comprehensively identify employee perceptions and ensure that those mechanisms include questions regarding certain safeguards such as the internal grievance process and employees' acceptance of DCIPS.

²²GAO, *Office of Personnel Management: Key Lessons Learned to Date for Strengthening Capacity to Lead and Implement Human Capital Reforms*, [GAO-07-90](#) (Washington, D.C.: January 2007).

²³Department of Defense Instruction 1400.25-V2011, *DOD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance Management* (August 14, 2009) contains information about the internal grievance process employees can use to challenge ratings. That process addresses the safeguard pertaining to ensuring the agency's performance management system results in meaningful distinctions in individual employee performance.

In written comments on a draft of this report, DOD concurred with all of our recommendations and noted specific steps taken to implement each one. We also provided ODNI with a draft of this report because, though not the focus of our review, ODNI has played a significant role in strategic human capital management reform for the U.S. Intelligence Community and is thus well positioned to provide additional insights and comments on DCIPS and companion efforts in the Intelligence Community. ODNI agreed to work with USD(I) to address the areas identified in our report and stated that they strongly believed that DCIPS had been established on a strong foundation of policy directives and incorporated many best practices in its processes. Both DOD and ODNI provided technical comments, which we incorporated into this report, as appropriate.

Background

The authority for DOD to establish a pay-for-performance management system for civilian defense intelligence employees originated in the National Defense Authorization Act for Fiscal Year 1997.²⁴ Initially, in 1998, only the National Geospatial-Intelligence Agency implemented Full Pay Modernization for its employees. Specifically, the Office of the Secretary of Defense granted the National Geospatial-Intelligence Agency the authority to pilot test a pay-for-performance system. The National Geospatial-Intelligence Agency eventually converted all of its employees out of the General Schedule pay scale and into a system it called Total Pay Compensation in 1999 and thus has been under that system for about 10 years.

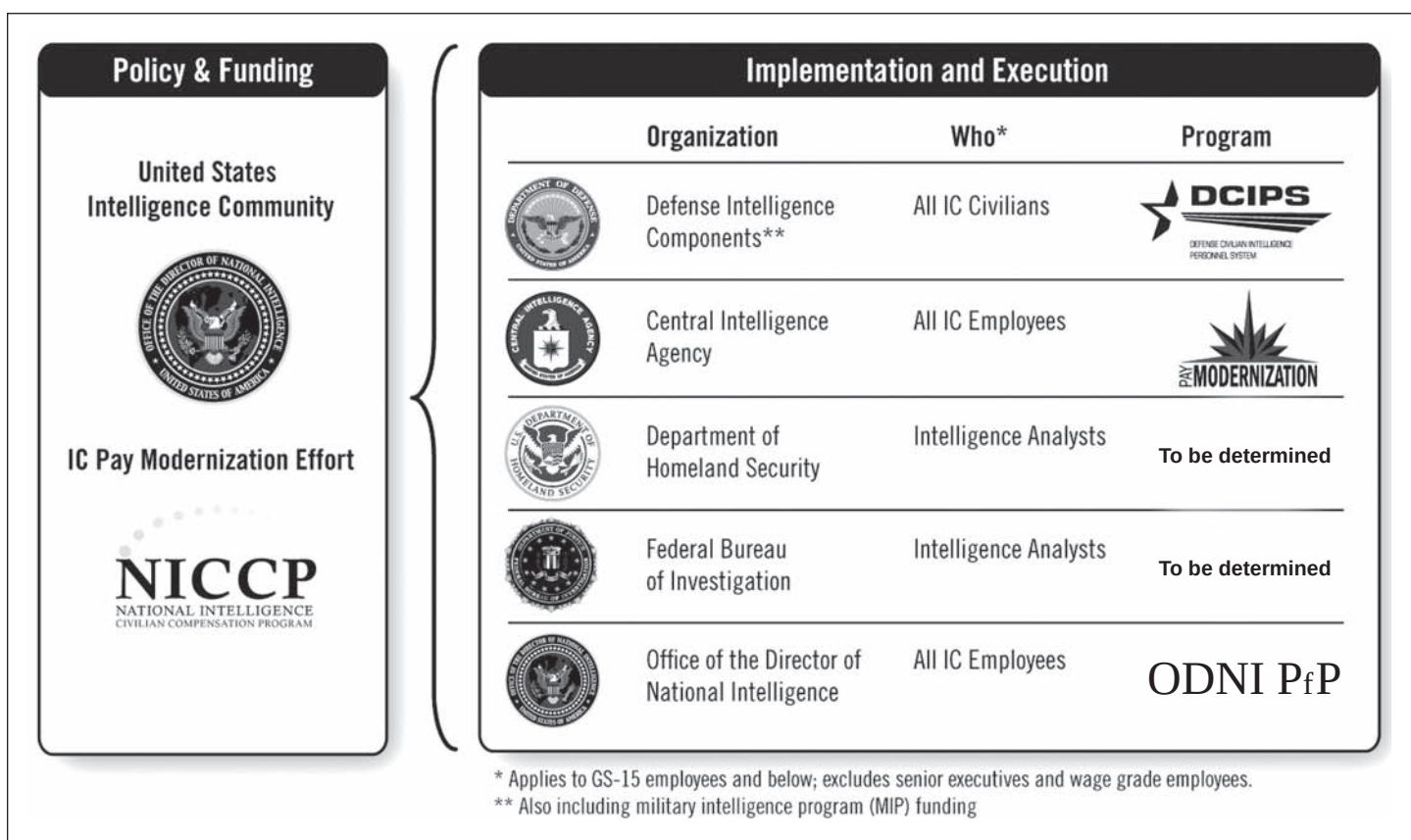
As stated previously, ODNI, with agreement from agencies and departments in the Intelligence Community, established the overarching evaluation and performance based pay framework for this community—the National Intelligence Civilian Compensation Program. This framework was established by Intelligence Community Directives, which among other things, set common rating categories and performance standards that were adopted by the Intelligence Community. According to Intelligence Community Directive 650, the Director of National Intelligence has the responsibility to establish, in collaboration and coordination with the heads of executive departments and independent agencies with Intelligence Community employees, a set of unifying Intelligence Community-wide principles, policies, and procedures governing the

²⁴Pub.L. No. 104-201, §§ 1631-1632 (1996). These provisions, as amended, are codified at 10 U.S.C. §§ 1601-1614.

compensation of civilian employees in the Intelligence Community.²⁵ DOD, in 2007, designated USD(I) as the organization responsible for overseeing the implementation of DCIPS. USD(I) based DCIPS primarily on the pay-for-performance system implemented at the National Geospatial-Intelligence Agency. Appendix IV shows the notable differences between the National Geospatial-Intelligence Agency's system and DOD's DCIPS. Additionally, figure 1 outlines the U.S. Intelligence Community's pay modernization efforts under the National Intelligence Civilian Compensation Program framework. DCIPS is one of the first systems to use this framework.

²⁵Intelligence Community Directive Number 650, National Intelligence Civilian Compensation Program: Guiding Principles and Framework, April 28, 2008.

Figure 1: U.S. Intelligence Community's Pay Modernization Framework and Efforts



Source: Office of the Director of National Intelligence; GAO analysis.

Note: According to officials at the Office of the Director of National Intelligence, this figure shows Intelligence Community organizations that presently have the statutory authority to implement pay-for-performance systems within their agency. According to these officials, other national intelligence organizations from other federal agencies and departments—including the intelligence offices within the Departments of Energy, State, and Treasury, and the Drug Enforcement Administration—currently do not have the statutory authority to implement the National Intelligence Civilian Compensation Program.

The Senior Executive Service is currently under a pay-for-performance management system, which was established in 2004.

DCIPS will be the performance management system applicable to DOD civilian intelligence personnel in the DOD intelligence components, which include the Defense Intelligence Agency, the National Geospatial-Intelligence Agency, the National Reconnaissance Office, the National Security Agency, the Office of the Under Secretary of Defense for Intelligence, and the intelligence elements of the military departments.

Although not a defense intelligence component, the Defense Security Service also converted to DCIPS.

Implementation of DCIPS pay-for-performance began in September 2008 and consists of three specific phases:²⁶ (1) Performance Management, which focuses on the processes of setting expectations and objectives for monitoring, rating, and rewarding employee performance; (2) Pay Bands, which moves employee pay from the General Schedule/Government Grade pay scale to the five pay ranges associated with a particular DCIPS work category and work level; and (3) the First Performance Payout, which is when employees will receive a combination of their performance-based salary increase and their performance-based bonus increase for the first time. The DOD components have implemented DCIPS, in some instances, at different times. Figure 2 depicts the timeline, at the time of our review, for each component's phased implementation.

²⁶ According to USD(I) officials, while implementation of a common DCIPS architecture began in 2008, efforts to design DCIPS began in 2005.

Figure 2: DCIPS Implementation Timeline



DCIPS Implementation Timeline

	2008			2009			2010	2011
	Sept.	Oct.	Nov.	Jul.	Aug.	Oct.	Jan.	Jan.
Performance Management System		DIA, Navy/ USMC, NGA, NSA OUSD(I)		Army	AF NRO	DSS		
Pay Bands	DIA	NGA	Navy/USMC	Army OUSD(I)	AF NRO	DSS		
First Performance Payout (Bonuses only – 2010)							DIA, Navy/ USMC, NGA, NSA OUSD(I)	Army AF, NRO, DSS
DIA Defense Intelligence Agency USMC United States Marine Corps NGA National Geospatial-Intelligence Agency NSA National Security Agency OUSD(I) Office of the Under Secretary of Defense for Intelligence AF Air Force NRO National Reconnaissance Office DSS Defense Security Service Navy Navy Army Army								

Source: DOD.

Note: Section 1114 of the National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84 (2009), prohibits the fixing of rates of basic pay under DCIPS for employees and positions within any element of the Intelligence Community, except for the National Geospatial-Intelligence Agency, and requires them to be fixed in accordance with provisions of law that (disregarding DCIPS) would otherwise apply, during the period beginning on the date of the enactment of the defense authorization act and ending on December 31, 2010. Prior to the President signing the defense authorization legislation into law, the USD(I) had, on October 8, 2009, temporarily halted the conversion of the Defense Security Service and National Security Agency employees into pay bands.

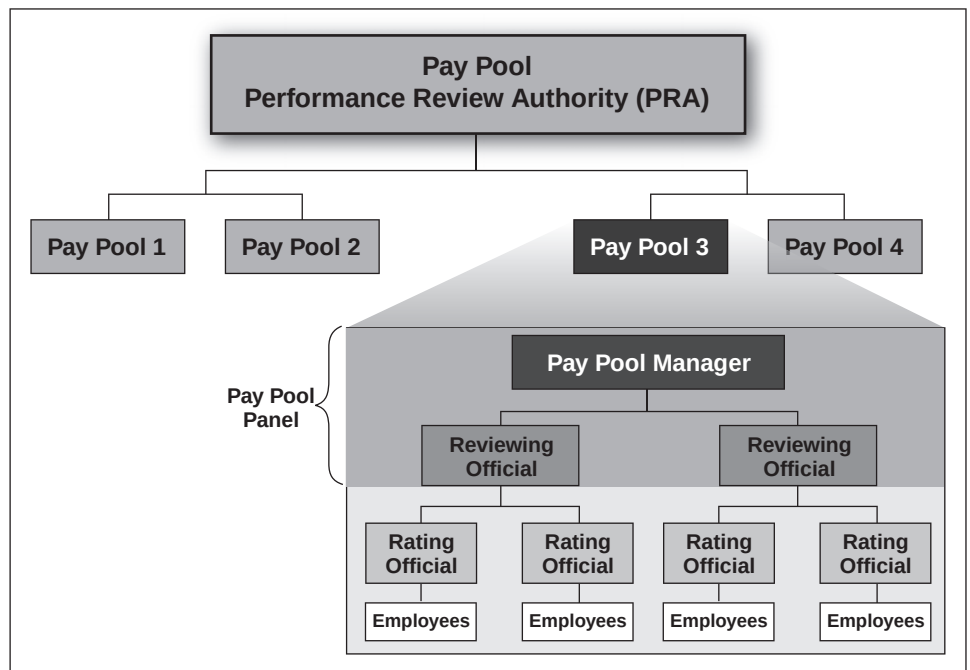
Under DCIPS, performance management consists of two interrelated processes: the performance management process and the pay pool process.²⁷ The performance management process includes a 12-month

²⁷Department of Defense Instruction 1400.25-V2011, *DOD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance Management* (August 14, 2009) and Department of Defense Instruction 1400.25-V2012, *DOD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance-Based Compensation* (September 15, 2009).

performance evaluation period that runs annually from October 1 through September 30, unless USD(I) has granted an exception. During this period, employees, along with their supervisors—who are also referred to as rating officials—collaborate to identify performance expectations and outcome-focused objectives; engage in regular dialogue to monitor performance throughout the year, including a required mid-point review; develop performance strengths and skills; document achievements through employee self-assessments and rating official assessments; and, finally, conduct an end-of-year performance review. At the end of the performance evaluation period, the rating official completes an evaluation of record for each of the employees they supervise. These evaluations of record are then passed through two levels of review: first by reviewing officials and then by the Performance Management Performance Review Authority. Reviewing officials are responsible for coordinating with rating officials in evaluating and rating the performance of employees. Concurrent with the actions of the reviewing officials, the Performance Management Performance Review Authority conducts a high-level review of all evaluations of record and ratings across the component with the intent of ensuring rigor and consistency across all supervisors and reviewing officials and compliance with applicable laws and regulations. Within 45 days of the end of the performance evaluation period, all ratings must be finalized and approved by the reviewing officials and the Performance Management Performance Review Authority.

The pay pool process begins at the same time as the performance management process with the establishment of pay pool structures and annual training to strengthen participants' understanding about the pay pool process from October 1 to September 30. However, pay pools begin their annual deliberations about employee salary increases and bonuses after ratings are finalized. A pay pool is a group of individuals who share in the distribution of a common pay-for-performance fund. Each employee is assigned to a pay pool according to considerations regarding organizational structure, geographic location, and/or occupation. Figure 3 illustrates a sample DCIPS pay pool structure, specifically the relationship between the members of each pay pool—the employee, supervisor or rating official, reviewing official, pay pool panel, pay pool manager, and performance review authority.

Figure 3: Sample DCIPS Pay Pool Structure



Source: DOD training materials.

Each of these pay pool members has defined responsibilities during the annual deliberations and pay out process. The Pay Pool Performance Review Authority, who can be either an individual or a panel of individuals,²⁸ oversees one or more pay pools to ensure procedural consistency among the pay pools under its authority. The Pay Pool Manager provides financial, scheduling, and business rules guidance for the process; settles differences among panel members; and approves the final pay pool panel recommendations. The Pay Pool Panel members, which include reviewing officials and, in some cases, rating officials, are responsible for determining performance-based salary increases and bonuses using established pay pool guidance.²⁹ Payouts are normally effective on the first day of the first pay period following January 1 of the

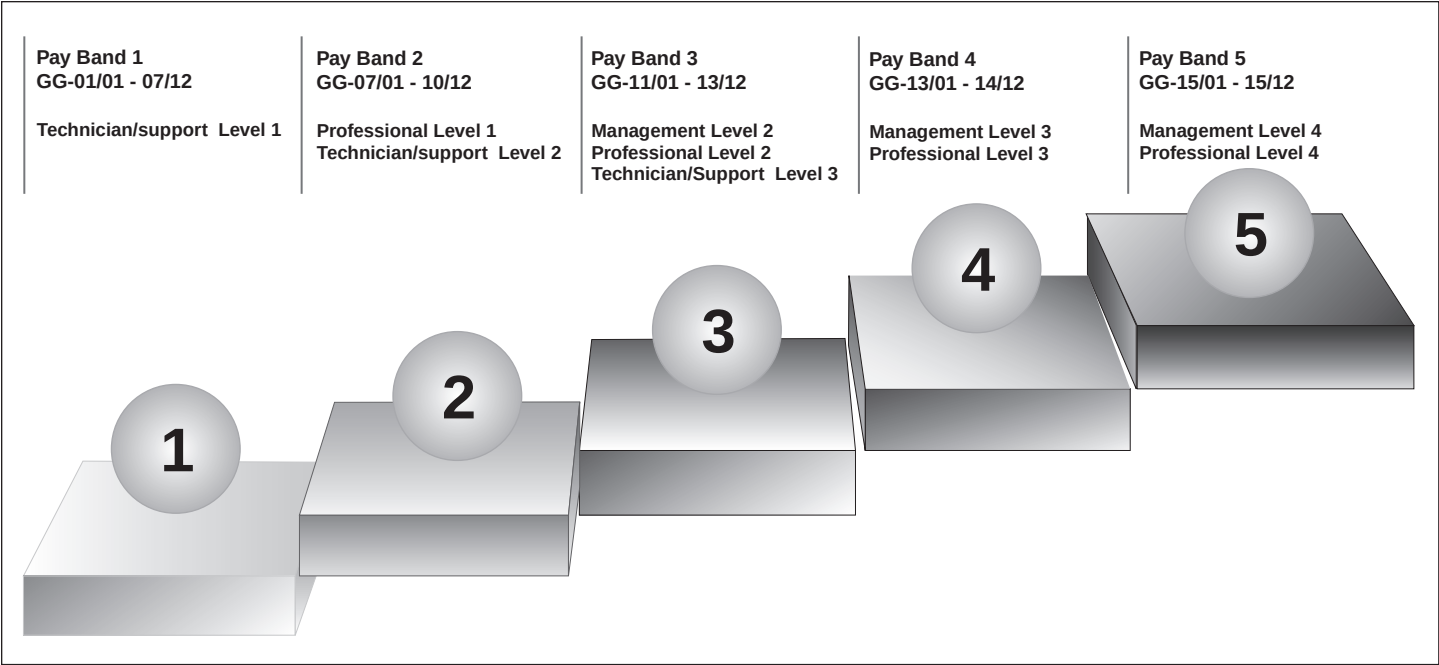
²⁸The Pay Pool Performance Review Authority might also be the head of the component.

²⁹DCIPS uses an algorithm to determine employee performance-based salary increases and bonuses. According to ODNI and USD(I), Pay Pools are not allowed to deviate from the algorithm unless it is documented, justified, and approved by a higher authority.

new calendar year. The department issued overall guidance in September 2009 regarding its pay pool business rules.

DCIPS is a pay-banded performance management system. As such, employees have converted or will convert from the General Schedule/General Government system to five distinct pay bands. Under the General Schedule/General Government system, salary is determined by the 15-grade/10-step system.³⁰ Pay banding consolidates these 15 grades into five broad pay bands, and the DCIPS pay system establishes a salary range for each pay band, with a minimum and a maximum pay rate. Figure 4 illustrates which Government Grade/General Schedule pay grades/steps apply to each pay band during conversion.

Figure 4: DCIPS Pay Band Structure



Source: DOD.

³⁰According to ODNI officials, the great majority of U.S. Intelligence Community employees occupy the top four General Schedule grades (GS-12 to GS-15), which fit in the top three pay bands.

DOD Has Taken Steps to Incorporate Internal Safeguards into DCIPS, but Two Safeguards and Monitoring Have Not Been Fully Implemented

Although DOD has taken some steps to implement internal safeguards to ensure that the DCIPS performance management system is fair, effective, and credible, opportunities exist to improve DOD's implementation of 2 of the 10 safeguards. Specifically, DOD has taken some steps to (1) link employee objectives and the agency's strategic goals and mission; (2) provide a system to better link individual pay to performance in an equitable manner; (3) train and retrain employees and supervisors in the system's operation; (4) require ongoing performance feedback between supervisors and employees; (5) assure meaningful distinctions in employee performance; (6) ensure agency resources are allocated for the design, implementation, and administration of the system; (7) assure that there is an independent and credible employee appeals mechanism; (8) assure reasonable transparency of the system and its operation; (9) involve employees in the design and implementation of the system; and (10) adhere to merit principles set forth in section 2301 of title 5 of the U.S. Code. We have previously reported that continued monitoring of such systems' safeguards is needed to help ensure DOD's actions are effective as implementation proceeds.³¹ While we believe continued monitoring of all of these safeguards is needed as implementation proceeds and more employees become covered by DCIPS, we determined that USD(I)'s implementation of two safeguards—employee involvement and the adherence to merit principles—could be improved immediately. Until USD(I) effectively implements all of the safeguards, employees will not have assurance that the system is fair, equitable, and credible, which ultimately could undermine employees' confidence and result in failure of the system.

Link Employee Objectives to the Agency's Strategic Goals and Mission

DOD has made efforts to link employees' objectives to the agency's strategic goals, mission, and desired outcomes. For example, DCIPS guidance³² stipulates that employees' individual performance objectives³³ should align with the goals and objectives of the National Intelligence Strategy, DOD, and the employee's organization. Specifically, an

³¹GAO-08-773.

³²Department of Defense Instruction 1400.25-V2011, *DOD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System(DCIPS) Performance Management System* (August 14, 2009).

³³Performance objectives relate individual job assignments or position responsibilities and/or accomplishments to performance elements and standards and the mission, goals, and objectives of the DCIPS component.

employee, in conjunction with a rating official and supervisor (if different), will establish approximately three to six performance objectives, which set specific performance targets for the individual, and link to National Intelligence Strategy, departmental, and component goals and objectives.³⁴ Further, according to the DCIPS guidance, performance objectives for non-supervisory employees should be appropriate to the employee's pay band, pay, and career or occupation category, and will be structured such that they are specific, measurable, achievable, relevant, and time-limited (SMART). The guidance further requires the creation of annual performance plans, to serve as records of the performance planning process, which are to be reviewed and approved by reviewing officials to ensure they are consistent with organizational goals and objectives. DOD officials we spoke with identified SMART objectives as the primary method of linking individual employee performance objectives to agency mission and goals. Figure 5 illustrates how an individual's SMART objectives align to agency and National Intelligence Strategy goals.

Figure 5: Alignment of SMART Objectives to National Intelligence Strategy Goals



Source: GAO analysis of DOD data.

³⁴Performance targets may be quantitative or non-quantitative.

Link Individual Pay to Performance in an Equitable Manner

USD(I) officials stated that DCIPS's design allows for a better linkage between individual pay and performance than the previous General Schedule pay scale. DCIPS policy requires that DCIPS shall provide a basis for linking performance-based pay increases and bonuses to (1) individual accomplishments, (2) demonstrated competencies, and (3) contributions to organizational missions and results—such that the greatest rewards go to those who make the greatest contributions, consistent with both performance and competitive pay administration principles.³⁵ Moreover, DCIPS draft guidance states that the goal of the system is that it provide for a reward system that attempts to motivate employees to increase their performance contribution, making the employees' level of performance commensurate with their total compensation. Several DCIPS components we spoke with, including the Army, Marine Corps, and Air Force, cited DOD's Compensation Work Bench, a computerized tool that calculates pay increases by using performance ratings and pay pool information as a primary mechanism for quantitatively connecting individual performance and pay. In addition, the same components also cited the Performance Appraisal Application, an online tool for monitoring employee performance throughout a rating cycle, as another means of establishing such linkage.³⁶ Although DOD has created policy to better link an individual's pay to performance, it is too soon, given the current implementation status, to determine the extent to which pay will be equitably linked to performance, as a full performance cycle has not been completed and DCIPS payouts have not yet occurred.³⁷

Provide Training in the Implementation and Operation of the System

DOD has taken several steps to provide extensive training to DCIPS users in the implementation and operation of the performance management system. For example, DCIPS policy requires that employees be trained in the system, and that rating officials, supervisors, pay pool managers, and pay pool members be trained in their responsibilities. According to USD(I), each of the DCIPS components is required to implement training,

³⁵Department of Defense Instruction 1400.25-V2012, *DOD Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance-Based Compensation* (September 15, 2009).

³⁶The Performance Appraisal Application documents performance objectives, mid-point feedback, final feedback, and employee performance ratings.

³⁷As previously noted, six DCIPS components were expected to receive their first payout under DCIPS in January 2010, while the remaining four were expected to receive payouts in January 2011.

tailoring any materials provided by USD(I) as necessary to meet the needs of its workforce. Additionally, there are currently a number of training mechanisms, including Web-based courses, classroom sessions, and town hall forums—so employees have a range of opportunities to learn about DCIPS. USD(I) provided a training curriculum that includes courses such as DCIPS 101, Managing Performance, and DCIPS Compensation Fundamentals. Some training tools are designed for distinct groups (i.e., supervisors, human resource personnel, etc.) in order to ensure that different groups have a contextual understanding of DCIPS. See appendix V for a list of major courses in this curriculum.

Officials we spoke with at a number of DCIPS components stated that they offer a variety of classroom and Web-based training tools, some of which were adapted from USD(I) training in order to better suit the needs of the component's workforce. For example, one component modified USD(I)'s iSuccess course, which provides employees with step-by-step instruction on how to write SMART performance objectives and self-assessments. Other components have employed innovative approaches to training, such as conducting joint training sessions with employees and supervisors in order to increase transparency and to open dialogue between the two groups.

Additionally, USD(I) administered a number of training evaluations for its introductory DCIPS courses that indicated that employees generally viewed the training as informative and beneficial. However, during our nongeneralizable discussion groups with employees, we found that employee perceptions of training were somewhat mixed, as participants at 9 of our 13 discussion group sites stated that too many questions regarding DCIPS went unanswered, including questions posed during training. In particular, employees in one discussion group stated that training on developing performance objectives was not helpful because it focused on developing objectives for jobs that had very specific outputs, such as making widgets. Although such feedback indicates that the breadth of training offerings, as well as the scope and/or format of individual sessions, could be improved, we note that we conducted our discussion groups during April 2009 and May 2009, and according to one USD(I) official, new training courses have since been added, such as Compensation Fundamentals.

Ensure Ongoing Performance Feedback and Dialogue between Supervisors and Employees

DCIPS policy requires that rating officials and/or supervisors³⁸ provide employees with meaningful, constructive, and candid feedback relative to their progress against performance expectations in at least one documented midpoint performance review and an end-of-year review.³⁹ In addition, guidance requires rating officials and employees to engage in dialogue throughout the rating period to, among other things, develop performance objectives and an individual's development plan. They are also required to discuss progress toward achieving performance objectives, behaviors related to successful performance, and individual employee development. Most of the DCIPS components we spoke with stated that additional feedback beyond the minimum required guidance is encouraged, but not mandatory. Formal feedback between employees and supervisors should be documented in the Performance Appraisal Application—DOD's online performance management tool. At 7 of the 13 sites we visited, discussion group participants told us that communication with supervisors has increased under DCIPS, with most interactions being face-to-face, as encouraged by DOD.

Assure Meaningful Distinctions in Individual Employee Performance

DCIPS is intended to create a performance management system that provides meaningful distinctions in employee performance.⁴⁰ However, because performance evaluations have yet to occur under DCIPS, it is unclear the extent to which ratings will actually result in meaningful distinctions. Unlike the pass fail system, which some of the employees were under, the performance ratings scale for DCIPS consists of five rating categories, of which the lowest rating is a "1" (unacceptable performance) and the highest rating is a "5" (outstanding performance).⁴¹ Ratings are

³⁸In most cases, supervisors will be the rating official for employees under their direct supervision.

³⁹Department of Defense Instruction 1400.25-V2011, *DOD Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance Management* (August 14, 2009).

⁴⁰Enclosure 2 of the Department of Defense Instruction 1400.25-V2011, *DOD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance Management* (August 14, 2009), sets out the reconsideration process by which employees who disagree with their rating may challenge it. Specifically, DCIPS policy states that the Performance Management Performance Review Authority (PRA), will, at an employee's request, reconsider an individual's rating.

⁴¹Employees may also receive a rating of "Not Rated" if there was insufficient opportunity to complete an objective because it became obsolete due to changing mission requirements or because of extenuating circumstances.

determined by comparing employee performance against performance standards for the employee's pay-band level.

Officials we spoke with at USD(I) and the DCIPS components also cited other mechanisms to implement this safeguard. For example, USD(I) told us that distinctions in individual employee performance will also be made through the bonus process. While all employees with performance evaluations rated Successful or above will be eligible, USD(I) officials expect that only 45 percent to 50 percent of employees who are eligible will receive a bonus. A USD(I) official noted that limiting bonuses to less than 50 percent of the staff will make bonuses more meaningful. Also, to ensure accountability at the supervisory level, one of the components told us it requires supervisors to demonstrate how they make distinctions in ratings as part of their own performance objectives. Finally, DOD officials stated that the mock performance review process will provide an opportunity to determine how meaningful distinctions in performance will be made, as well as a chance to garner lessons learned for assessing performance.

Several of our discussion group participants expressed concern that there is potential for a "forced distribution" of ratings (i.e., a fixed numeric or percentage limitation on any rating level), which could effectively erode meaningful distinctions in individual employee performance. However, USD(I) officials told us that they had informed the components that forced distributions of ratings are unacceptable and potentially illegal, and that USD(I) has emphasized rigor and consistency in ratings throughout DCIPS's implementation by way of leadership training and the Performance Review Authority. Additionally, in August 2009, USD(I) posted a statement on the DCIPS Web site reiterating its prohibition on forced distribution of ratings found in DCIPS guidance.⁴²

⁴²Department of Defense Instruction 1400.25-V2011, *DOD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance Management* (August 14, 2009).

Means to Ensure Adequate Agency Resources Are Allocated for the System's Design, Implementation, and Administration

DOD, through USD(I), has taken steps to ensure that agency resources are allocated for the implementation and administration of DCIPS. For example, DCIPS guidance provides for an initial permanent salary increase budget that is no less than what would have been available for step increases, quality step increases, and within-band promotions under the previous personnel system.⁴³ Further, USD(I) will conduct, in coordination with the components, an annual analysis of salary adjustments to determine the effects on the distribution of the workforce within pay bands, position of the workforce relative to the applicable labor market, anticipated adjustments to the ranges, and projected General Schedule increases for the year in which the next payout is to be effective.

Funding for the implementation of DCIPS was drawn from two primary funding streams including: 1) the National Intelligence Program, and 2) Military Intelligence Program. According to USD(I), funding was used to cover the costs associated with conversion, including training, technology, and Within-Grade Increases. USD(I) and several of the DCIPS components we spoke with indicated that resources were sufficient to implement the system. In particular, one component told us that the Office of the Director for National Intelligence has been very receptive to resource concerns and had asked to be notified of any shortfalls. In fact, at the time of our review, only one DCIPS component told us it had requested additional funds for a shortfall. In addition, USD(I) created a resource management group consisting of Chief Financial Officer officials from each DCIPS component in order to ensure the proper level of funding is available for payouts beginning in 2010.

Assure an Independent, Credible Employee Appeals Mechanism

We previously identified an independent and credible employee appeals mechanism as a key component to ensuring that pay-for performance systems are fair, effective, and credible.⁴⁴ DCIPS does not provide a distinct mechanism for employees to appeal adverse actions. Instead, it relies on existing agency procedures to fulfill this function, so that each of the defense intelligence components has its own appeals mechanism.

⁴³Department of Defense Instruction 1400.25-V2012, *DOD Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance-Based Compensation* (September 15, 2009).

⁴⁴GAO, *Post-Hearing Questions for the Record Related to the Department of Defense's National Security Personnel System (NSPS)*, [GAO-06-582R](#) (Washington, D.C., March 2006).

According to USD(I) officials, guidance that would provide DCIPS a distinct employee appeals mechanism is in draft. When issued, according to these officials, this guidance will provide the minimum requirements for adverse action appeals, including fundamental due process, based on the requirements established in chapter 75 of title 5 of the U.S. Code. According to ODNI officials, chapter 75 does not statutorily apply to DCIPS. Rather, DOD is adopting these standards pursuant to ODNI Intelligence Community Directives. Additionally, ODNI guidance provides that employees will receive due process in any adverse action, as defined by applicable law and regulation, involving performance, as established by their respective departments or agencies, including an objective and transparent appeals process.⁴⁵

Assure Reasonable Transparency of the System and Its Operation

DOD has taken steps to ensure a reasonable amount of transparency is incorporated into the implementation of DCIPS. For example, in contrast to the National Security Personnel System—which uses a system of weighted shares to determine employee payouts—DCIPS uses a software algorithm, available to all DCIPS employees, to calculate salary increases and bonus awards.⁴⁶ In addition, USD(I) officials told us that USD(I) has communicated the performance management process through town hall meetings, DCIPS Web sites, quarterly newsletters, and letters from USD(I) management. Similarly, the DCIPS components are individually conducting a range of activities to provide transparency, such as their own town halls and open forum discussions. In particular, officials from one component told us that they conducted a survey of employees to determine how they received information about DCIPS and how they preferred to receive such information in the future. According to USD(I) officials, sharing aggregate rating results with employees is key to ensuring transparency and ultimately to gaining employee acceptance of the system. These officials also told us that they are instructing the DCIPS components to publish aggregate rating results. In fact, in September 2009, USD(I) provided a template for reporting DCIPS performance evaluation and payout results to the workforce. USD(I) officials stated that while the template can be tailored to suit specific agency needs, it will also establish

⁴⁵Intelligence Community Directive Number 650: National Intelligence Civilian Compensation Program, Guiding Principles and Framework.

⁴⁶For more information regarding the National Security Personnel System use of shares, see [GAO-08-773](#). See appendix VI of this report for a comparison of some of the features of DCIPS and the National Security Personnel System.

a common way of reporting in which individual employees will be able to see where they stand relative to their peers and within pay bands. Separately, according to these same officials, USD(I) also plans to publish rating results at the department level by merging the results of all pay pool data from each of the DCIPS components. According to ODNI officials, they intended to do the same for Intelligence Community-wide results.

Involve Employees in the Design and Implementation of the System

USD(I) and the defense intelligence components have taken some steps to involve employees in the implementation of DCIPS, however more opportunities exist to expand this involvement. As we previously reported, involvement in a performance management system's design and implementation must be early, active, and continuing if DOD employees are to gain a sense of understanding and ownership of the changes that are being made.⁴⁷ Specifically, USD(I) and the defense intelligence components have used various mechanisms to obtain employee input. For example, USD(I) sponsored a survey to validate performance competencies for DCIPS and administered training evaluations for a variety of DCIPS courses, covering topics such as SMART objectives. In addition, the defense intelligence components conducted town hall meetings to provide domestic and overseas employees with information about DCIPS and to communicate with the workforce.

According to a USD(I) official, the components possess considerable discretion regarding the nature and extent of employee involvement at the agency level, and as such, have independently employed a number of feedback mechanisms, including discussion groups and "brown bag" meetings. In most cases, the impact of such efforts is unclear; however, officials at one DCIPS component told us that some employee concerns were elevated to the Defense Intelligence Human Resources Board and actions were taken. For example, some employees expressed concerns about the elimination of career ladders, which eventually resulted in a policy change allowing employees who were hired under a particular career ladder to remain in that career ladder under DCIPS. Similarly, USD(I) provided us with a draft guide to writing effective performance objectives, which, according to officials, was produced at the request of employees that attended a pilot training course.

⁴⁷GAO, *Post-Hearing Questions Related to the Department of Defense's National Security Personnel System*, [GAO-05-641R](#) (Washington, D.C.: April 2005).

While the above-mentioned steps demonstrate a commitment to engage the workforce, USD(I) has not taken advantage of other opportunities to expand such efforts by establishing a formal process for the continuous involvement of employees in DCIPS. As we previously reported, leading organizations involve employees directly and consider their input before finalizing key decisions—such as draft guidance.⁴⁸ Although USD(I) officials stated they allow employees to comment on draft guidance, USD(I) does not have, in its guidance, a formalized process for the continued and direct involvement of employees in the development and implementation of DCIPS. This is of concern, since employees and supervisors in discussion groups at 12 of the 13 sites we visited indicated that they had limited or no involvement in the design and implementation of the system. Without continuous employee involvement in the implementation of DCIPS, employees may experience a loss of ownership over the system, which could ultimately undermine its credibility.

Adherence to Merit Principles

USD(I) has taken steps to ensure that DCIPS incorporates the merit principles set forth in section 2301 of title 5 of the U.S. Code.⁴⁹ The Office of Personnel Management has noted that prior to rolling out an alternative personnel system, an agency should document its business processes and procedures associated with all aspects of the system.⁵⁰ In September 2009, USD(I) provided to us a document that stipulates that no later than March 31, 2010, components will provide the USD(I) Human Capital Management Office with detailed data, including demographic analysis, on performance evaluation and payout results. In September 2009, USD(I) also published a template for publishing DCIPS performance evaluation and payout results to the workforce. This template provides a sample aggregate workforce report for employees, which contains demographic-based reporting categories, including gender, race, ethnicity, age, disability status, and

⁴⁸GAO, *Human Capital: DOD's National Security Personnel System Faces Implementation Challenges*, [GAO-05-730](#) (Washington, D.C.: July 2005), and *Posthearing Questions Related to Proposed Department of Homeland Security (DHS) Human Capital Regulations*, [GAO-04-570R](#) (Washington, D.C.: March 2004).

⁴⁹Section 2301 of title 5 of the U.S. Code sets out the merit principles. One principle states that employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights.

⁵⁰Office of Personnel Management, *Alternative Personnel Systems Objectives-Based Assessment Framework Handbook* (Washington, D.C.: October 2008).

veterans' status and provides details to report to employees, including each groups' average rating, salary increase, and bonus.

While notable, this 2009 document, however, does not specify what data are to be collected for the post-decisional demographic analysis,⁵¹ how the data should be analyzed, what process the components should follow to investigate potential barriers to fair and equitable ratings and their causes, or a process for eliminating barriers that are found. Until DOD specifies these steps in its guidance, the intelligence components may not follow a consistent approach in these areas, the department may be unable to fully determine whether potential barriers to fair and equitable ratings exist, and employees may lack confidence in the fairness and credibility of the DCIPS and its ratings. To help ensure equity, fairness, and non-discrimination in ratings, we are recommending that DOD issue guidance on its analysis of finalized ratings that explains how the demographic analysis of ratings is to be conducted.

DOD's Initial Plans to Monitor DCIPS and the Safeguards

We have previously reported with another pay-for-performance system that continued monitoring of safeguards is needed to help ensure that a department's actions are effective as implementation progresses.⁵² We have also reported that adequate evaluation procedures would, among other things, facilitate better congressional oversight, allow for any midcourse corrections, assist DOD in benchmarking its progress, and help document best practices and lessons learned with employees and other stakeholders.⁵³ In October 2009, DOD provided us with a draft evaluation plan that details tentative procedures to monitor and evaluate DCIPS implementation, including all of the safeguards. For example, it provides for the examination of the relationship between performance ratings and annual performance payouts, and establishes methods of obtaining employee feedback, such as attitude surveys, interviews, and focus groups.

According to DOD officials, they do not expect to execute the evaluation plan until after the first payout, in January 2010. DOD's efforts to draft an

⁵¹Post decisional analysis of demographic information occurs after ratings and payouts are final to determine if potential barriers to fair and equitable ratings exist and form the basis on which an organization would take corrective actions to address these barriers.

⁵²[GAO-08-773](#).

⁵³[GAO-05-730](#).

evaluation plan are notable; however, without finalizing and executing such a plan, the department will not have a clear understanding of whether it is achieving its desired outcomes as part of implementing the new performance management system for its intelligence components.

DOD Had Several Mechanisms to Provide Information to Employees, but These Did Not Comprehensively Identify Employee Perceptions of DCIPS, and Future Mechanisms Do Not Include Some Needed Questions

At the time of our review, DOD had several mechanisms to engage employees and provide information. However, these mechanisms did not comprehensively identify employee perceptions. GAO conducted 26 discussion groups, which while not generalizable, did show that employees and supervisors had mixed views about certain aspects of the system. Additionally, DOD's planned mechanisms do not include certain questions related to the safeguards.

DOD Had Several Mechanisms to Provide Information to Employees, but These Did Not Comprehensively Identify and Address Employee Perceptions

DOD, at the time of our review, had several mechanisms in place to provide information to employees about DCIPS; however, these mechanisms did not comprehensively identify and address employee perceptions. Specifically, the defense intelligence components conducted numerous town hall meetings to brief employees on DCIPS—covering such topics as the performance management cycle and roles and responsibilities of employees/supervisors—and to understand their concerns. USD(I) also maintained a Web site that contained frequently asked questions submitted by employees and USD(I)'s response. Some of the frequently asked questions provided by the naval Intelligence Community, as an example, included:

- Will basic civil service protections be preserved, such as whistle blower protections and veteran's preference?
- What safeguards will be in place to ensure that DCIPS rewards merit for merit's sake, and does not cater to nepotism and cronyism?

USD(I) officials stated that it has used several other mechanisms, including site visits and the annual Intelligence Community Climate Survey, to collect employee opinions on various management policies and practices.⁵⁴ While these efforts are notable, these mechanisms do not comprehensively identify employee perceptions of DCIPS. However, USD(I) does have plans to implement additional mechanisms that will be discussed later in this report.

Employees and Supervisors in Discussion Groups Expressed Mixed Views regarding Some Aspects of DCIPS

The non-generalizable results of the discussion groups we conducted identified, among other things, mixed views about certain aspects of the system. Specifically, our discussion groups identified areas that employees and supervisors found positive regarding DCIPS and several areas where they expressed a consistent set of concerns about DCIPS, some of which are listed below. Our prior work, as well as that of the Office of Personnel Management,⁵⁵ has recognized that organizational transformations, such as the adoption of a new performance management system, often entail fundamental and radical changes that require an adjustment period to gain employees' trust and acceptance. As a result, we expect major change management initiatives in large-scale organizations to take several years to be fully successful.

Employees Generally Expressed Positive Views about the Concept of Pay-for-Performance but Were Concerned About the Pace of Implementation

At 7 of the 13 locations visited, discussion group participants generally expressed positive views about the concept of pay for performance. For example, employees at one location stated they like the idea of linking pay to performance and think that there is more opportunity for financial growth. Additionally, supervisors at another location stated they thought DCIPS is a better system than pay for tenure/time. At another location, supervisors stated they liked the concept of DCIPS because they felt pay for performance will reward the hard workers. However, participants in 9 of 13 discussion groups felt that DCIPS was being implemented too quickly. Additionally, employees and supervisors at 9 of the 13 locations visited said too many questions about DCIPS went unanswered. For example, employees at one location felt that in-class instructors were

⁵⁴The Intelligence Community Climate Survey collecting this information is to study and report attitudes and perceptions of the Intelligence Community workforce regarding their work environments, with a focus on various management policies and practices that affect them—not specifically perceptions about DCIPS.

⁵⁵Office of Personnel Management, *Working for America: Alternative Personnel Systems in Practice and a Guide to the Future* (Washington, D.C.: October 2005).

Amount of Time Spent on
Performance Management
Diverts Attention from Mission
Work

unable to provide answers to basic questions about DCIPS and its implementation. Further, supervisors in another location stated they felt unprepared to answer employee questions about DCIPS.

Participants at 10 of the 13 locations visited said the amount of time spent working on DCIPS diverts attention from their mission work. For example, supervisors at one location stated mission activities have taken a back seat to the activities required to implement DCIPS, and at another location supervisors were dismayed by the significant amount of time the rating process entails. Both employees and supervisors at several locations also felt that DCIPS was a tremendous administrative burden. For example, supervisors in one discussion group stated the administrative burden is a “nightmare,” while supervisors in another discussion group stated DCIPS is too time-consuming, takes away from actual work of value, monopolizes the chain of command at critical moments; and is overly laborious without tangible benefits compared with other systems. Other supervisors stated employees are now more focused on DCIPS metrics than their actual jobs. Moreover, employees in one discussion group stated that DCIPS is a detriment to the mission because it is a huge administrative burden that takes one away from performing his or her mission work.

DOD Plans to Implement
Mechanisms to
Comprehensively Identify
and Address Employee
Perceptions

We have previously reported that high-performing organizations continuously review and revise their performance management systems based on data-driven lessons learned and changing needs in the environment.⁵⁶ Consistent with this approach, USD(I) officials have drafted four surveys to be used by the components that will cover various parts of DCIPS (training, performance objectives, ratings process, and payouts) and be accompanied by guidance on how to assess survey results. However, while these surveys cover aspects of DCIPS, they lack questions that would provide insight on certain aspects of the safeguards, such as the likelihood an employee would utilize the internal grievance process to challenge a rating. Additionally, the surveys—at the time of our review—did not directly ask questions or measure employees’ overall acceptance of DCIPS. Further, it is unclear exactly when these surveys will be implemented, although USD(I) officials said they hoped to start soon in order to capture baseline feedback from the first year. USD(I) officials further said the results of the surveys will inform future changes to DCIPS. However, without implementing a mechanism—like the four

⁵⁶ [GAO-07-90](#).

surveys that include questions regarding certain safeguards, such as the internal grievance process—DOD may not be able to comprehensively and accurately identify and measure employee perceptions.

Conclusions

Human capital reform is one of the most significant transformations in the federal government. In our 2009 High-Risk Series update, we identified the importance of developing a clear linkage between individual employee performance and organizational success and pointed out that the success of implementing a performance management system is contingent on how, when, and the basis on which it is done. However, at the end of this review, legislation was signed by the President that contained provisions that affect DCIPS. As mentioned previously, the USD(I) November 3, 2009, memorandum to the defense intelligence workforce noted that the legislation did not repeal or terminate DCIPS, but suspended certain provisions of the DCIPS pay-setting regulations until December 31, 2010, to allow for an independent review of DCIPS. This memorandum also stated that the department would continue to press forward with unifying the defense Intelligence Community under a common personnel system and specifically noted that the National Geospatial-Intelligence Agency would continue under all DCIPS regulations—as allowed by the legislation—and would be the focus of the department’s review of DCIPS. We have acknowledged in prior work on performance management systems that moving too quickly or prematurely could have detrimental consequences for such systems. The additional review of DCIPS efforts to date may provide the department time needed to address any potential issues and help ensure successful implementation.

We have further reported that a basic framework is needed to implement major reforms, including performance management systems. Our prior reports make it clear that incorporation of internal safeguards is fundamental for the effective implementation of performance management systems. Further, we have reported that committed top leadership and involving employees in a new performance management system is a continuous process. While we recognize that DOD faces many challenges in changing the culture to implement a pay-for-performance system capable of serving the entire DOD Intelligence Community, we believe that it is imperative that DOD continue to explore ways to build employee confidence in the system to help ensure the system’s success. By partially incorporating the two safeguards we specifically mention, DOD could put the fairness and credibility of DCIPS at risk. However, given the newness of DCIPS, constant monitoring of all safeguards is a prudent course of action. Further, without developing an evaluation plan that assesses

DCIPS, including the safeguards, the department will be unable to determine if it is meeting its intended human capital reform goals.

Finally, until DOD implements its mechanism to comprehensively and accurately identify and measure employee perceptions, including questions related to the safeguards such as the internal grievance process, it is not well positioned to develop a strategy to effectively address concerns raised by employees regarding DCIPS. Employees are the number one stakeholders in this type of transformation. With employees from the National Geospatial-Intelligence Agency being the only employees continuing under DCIPS regulations and given the agency's 10-year history with a pay for performance human capital system, the perspective of those employees will provide DOD with valuable insights as it reviews DCIPS and monitors the implementation of the safeguards. As the Office of Personnel Management and other studies have shown, it takes time for employees to accept organizational transformation—in this case, a move to a performance management system. As a result, employee acceptance of the system—both eligible employees in the defense intelligence components as well as those in the National Geospatial-Intelligence Agency—is dependent on those employees' involvement in the system's design and implementation. Ultimately, the success of the system is dependent on this acceptance.

Recommendations for Executive Action

To improve DOD's implementation of internal safeguards in DCIPS, and mechanisms to identify employee perceptions of it, we recommend that the Secretary of Defense direct that the Under Secretary of Defense for Intelligence take the following four actions:

- Issue guidance to institutionalize a process to involve employees continually in future design and implementation changes to DCIPS;
- Issue guidance on its analysis of finalized ratings that explains how the demographic analysis of ratings is to be conducted, to help ensure equity, fairness, and non-discrimination in ratings;
- Finalize and execute its evaluation plan with metrics to assess the system, including the implementation of internal safeguards, to help ensure the department evaluates the impact of DCIPS; and
- Expeditiously implement mechanisms—including the four surveys—that comprehensively and accurately identify and measure employee perceptions; and ensure those mechanisms include questions regarding certain safeguards, such as the internal grievance process and employees' acceptance of DCIPS.

Agency Comments and Our Evaluation

We provided a draft of this report to DOD and ODNI. DOD, in written comments, concurred with all of our recommendations. We provided ODNI with a draft of this report because, though not the focus of our review, ODNI has played a significant role in strategic human capital management reform for the U.S. Intelligence Community and is thus well positioned to provide additional insights and comments on DCIPS and companion efforts in the Intelligence Community. Both DOD and ODNI provided us with technical comments, which we incorporated in this report, as appropriate. DOD's and ODNI's written comments are reprinted in their entirety in appendixes VII and VIII, respectively.

In its written comments, DOD noted there are inherent challenges implicit in implementing a change of this magnitude—specifically establishing a common DCIPS framework within the defense intelligence components that is fair and equitable, consistent, and transparent. We agree with the department and note in our report that change of this magnitude can take several years to be fully successful. Furthermore, DOD characterized our recommendations as logical next steps in the evolution of DCIPS and elaborated on specific steps it was taking to address each of our recommendations. First, DOD stated that, as recommended, it was developing guidance to more formally institutionalize a process to involve employees continually in design, implementation, and evaluation to the evolving DCIPS. DOD noted that since the Intelligence Community does not have employee bargaining units, it is all the more important to ensure a robust and consistent process for employee engagement. Second, regarding our recommendation that DOD issue guidance on the analysis of its ratings, the department noted that it issued initial guidance and was finalizing guidance for individual components that takes into account requirements of the Fiscal Year 2010 National Defense Authorization Act. Third, DOD stated that, as recommended, it was in the process of finalizing the DCIPS evaluation plan with metrics to assess the system and stated that the department recognized the importance of evaluating DCIPS. Fourth, DOD stated that, as recommended, it was finalizing plans to develop mechanisms that comprehensively and accurately identify and measure employee perceptions. DOD also noted that, as recommended, the mechanisms would include questions regarding certain safeguards, such as the internal grievance process and employees' acceptance of DCIPS. If implemented in accordance with our recommendations, the department's actions appear to be a positive step in helping ensure fairness, equity, and credibility of the personnel system.

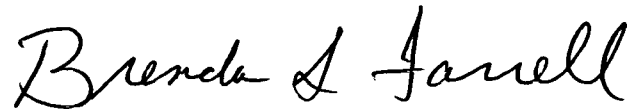
In written comments, ODNI stated that it appreciated the opportunity to comment on our report, thought the overall tone of the report was fair and

balanced; but noted that they felt the reports Highlights page, unlike the overall report, was overly negative. We reevaluated our Highlights page to ensure that it appropriately reflected our findings as seen throughout the report and made some changes to address ODNI's comments about tone. For example, we previously enumerated the ten safeguards in the highlights page but deleted a number of those to incorporate specific actions that DOD had taken to more directly mirror language in other parts of our report. ODNI also stated that it believed our report should emphasize that DCIPS was authorized by statute in 1997 and is separate and distinct from the National Security Personnel System.⁵⁷ Our draft noted both of these points. ONDI also noted in its comments that it believed our report should emphasize that DCIPS and the NICCP are intended to meet the goals of the Intelligence Reform and Terrorism Prevention Act of 2004. We have made appropriate changes to our report but note also that we reviewed the implementation of DCIPS and not ODNI's National Intelligence Civilian Compensation Program. ODNI further stated that Intelligence Community Directive 650 clearly lays out 10 guiding principles that very closely align to the 10 criteria we chose for our review. We agree but note that our objective was not to determine whether DCIPS met the intent of Intelligence Community Directives but rather to determine whether DCIPS incorporated the safeguards identified in our prior work as best practices for public and private performance management systems. ODNI also commented that change is often difficult for employees to accept and there will always be some employee discomfort; however, these officials believed that this discomfort is more a reflection of where DCIPS is in its implementation schedule than with any material defect with system's design. We also acknowledge, in our draft and in prior reports, that major change management initiatives in large-scale organizations take several years to be fully successful. ODNI expressed an appreciation for our comprehensive review and our recommendations to DOD and agreed to work with USD(I) in an expeditious manner to address the areas we identified. ODNI made a number of other technical comments that we considered and incorporated into our draft, as appropriate.

⁵⁷*Human Capital: Monitoring of Safeguards and Addressing Employee Perceptions Are Key to Implementing a Civilian Performance Management System in DOD.* [GAO-10-102](#). Washington, D.C.: October 28, 2009.

We are sending copies of this report to the appropriate congressional committees and the Secretary of Defense. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-3604 or by e-mail at farrellb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to the report are listed in appendix IX.

A handwritten signature in black ink that reads "Brenda S. Farrell". The signature is written in a cursive, flowing style.

Brenda S. Farrell
Director, Defense Capabilities and Management

Appendix I: The National Intelligence Civilian Compensation Program

In March 2005, the Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction recommended to the President that the Director of National Intelligence use its human resources authority to create a uniform system for performance evaluations and compensation, and develop a more comprehensive and creative set of performance incentives. In response to the commission's recommendation, the Director of National Intelligence established the National Intelligence Civilian Compensation Program (NICCP), which creates a uniform system of performance evaluation and compensation for the Intelligence Community's civilian workforce and aims at building a culture of collaboration across the Intelligence Community.¹ NICCP represents a fundamental shift from the current General Schedule pay scale to a more performance-based, market model. The cornerstone of the Office of the Director of National Intelligence's approach to establishing NICCP has been inter-departmental collaboration within the Intelligence Community. An ODNI official noted that NICCP essentially acts as a "treaty", or common, framework that establishes the performance management and pay rules that are to be commonly and consistently applied across the Intelligence Community.

Specifically, NICCP institutes a common set of core requirements such as setting basic rates of pay, managing performance, and pay based on performance. This framework also includes establishing six common performance elements by which all Intelligence Community civilian employees will be assessed. Specifically, these include Accountability for Results, Communication, Critical Thinking, Engagement and Collaboration, Personal Leadership and Integrity, and Technical Expertise. Supervisors will also be evaluated on six performance elements, of which they share four with non-supervisors—Accountability for Results, Communication, Critical Thinking, Engagement and Collaboration—and two that are unique to them, Leadership and Integrity, and Management Proficiency. Additionally, rating levels under this new system are from 1 to 5—with 1 being unacceptable performance and 5 being outstanding performance.

In addition to being applicable to Intelligence Community employees within DOD, NICCP is also applicable to certain other national intelligence

¹The Office of the Director of National Intelligence, Intelligence Community Pay Modernization, *United States Intelligence Community: Building A Culture of Collaboration, Fact #1* (March 2009).

organizations from other federal agencies and departments—including the Central Intelligence Agency, the Department of Homeland Security, the Federal Bureau of Investigation, and the Office of the Director of National Intelligence, which currently have pay-setting authorities. For example, the Central Intelligence Agency is currently using its statutory authority to implement a pay-for-performance system and has, to date, created a Pay Modernization Office, and developed a project plan, implementation schedule, and pay modernization Web site. According to officials in the Office of the Director of National Intelligence, other federal agencies or departments that do not currently have the same statutory authorities include offices within Departments of Energy, State, Treasury, and the Drug Enforcement Administration.

As reported by ODNI, the Intelligence Community agreed upon the several “enabling” directives that actually constitute NICCP.² Specifically, the essence of the NICCP framework has been captured in a suite of five enabling directives. They include the following:

- Intelligence Community Directive 650—National Intelligence Civilian Compensation Program: Guiding Principles and Framework (Effective April 28, 2008).
- Intelligence Community Directive 651—Performance Management System Requirements for the Intelligence Community Civilian Workforce (Effective November 28, 2007 and Updated Nov. 21, 2008).
- Intelligence Community Directive 652—Occupational Structure for the IC Civilian Workforce, (Effective April 28, 2008).
- Intelligence Community Directive 653—Pay-Setting and Administration Policies for the IC Civilian Workforce (Effective May 14, 2008))
- Intelligence Community Directive 654 –Performance-Based Pay for the IC Civilian Workforce (Effective April 28, 2008.)

²ODNI, Fiscal Year 2008 Annual Report on Intelligence Community Pay Modernization (Unclassified).

Appendix II: Merit System Principles

While our review focused on two merit principles that relate directly to performance management, 5 U.S.C. §§ 2301(b)2 and (b)(8A), the following provides the entire list of merit principles found in section 2301:

Section 2301 of title 5 of the U.S. Code applies to executive agencies and requires federal personnel management to be implemented consistent with the following merit system principles.¹

1. Recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge and skills, after fair and open competition which assures that all receive equal opportunity.
2. All employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights.
3. Equal pay should be provided for work of equal value, with appropriate consideration of both national and local rates paid by employers in the private sector, and appropriate incentives and recognition should be provided for excellence in performance.
4. All employees should maintain high standards of integrity, conduct, and concern for the public interest.
5. The Federal work force should be used efficiently and effectively.
6. Employees should be retained on the basis of adequacy of their performance, inadequate performance should be corrected, and employees should be separated who cannot or will not improve their performance to meet required standards.
7. Employees should be provided effective education and training in cases in which such education and training would result in better organizational and individual performance.
8. Employees should be—
 - (A) protected against arbitrary action, personal favoritism, or coercion for partisan political purposes, and
 - (B) prohibited from using their official authority or influence for the purpose of interfering with or affecting the result of an election or a nomination for election.

¹5 U.S.C. § 2301(b) (2009).

-
9. Employees should be protected against reprisal for the lawful disclosure of information which the employees reasonably believe evidences—
- (A) a violation of any law, rule, or regulation, or
 - (B) mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety.

Appendix III: Scope and Methodology

In conducting our review of the Defense Civilian Intelligence Personnel System (DCIPS), we limited our scope to the performance management aspect of DCIPS. We did not address either the performance management of the Senior Executive Service at the Department of Defense (DOD) or other aspects of DCIPS, such as classification and pay.

Extent to which DOD Incorporated Internal Safeguards into DCIPS

To determine the extent to which DOD has incorporated internal safeguards and accountability mechanisms into DCIPS, we used the following internal safeguards and accountability mechanisms, which were derived from our previous work on pay-for-performance management systems in the federal government:

- Assure that the agency's performance management system links employee objectives to the agency's strategic plan, related goals, and desired outcomes;
- Implement a pay-for-performance evaluation system to better link individual pay to performance, and provide an equitable method for appraising and compensating employees;
- Provide adequate training and retraining for supervisors, managers, and employees in the implementation and operation of the performance management system;
- Institute a process for ensuring ongoing performance feedback and dialogue between supervisors, managers, and employees throughout the appraisal period and setting timetables for review;
- Assure that the agency's performance management system results in meaningful distinctions in individual employee performance;¹
- Provide a means for ensuring that adequate agency resources are allocated for the design, implementation, and administration of the performance management system;
- Assure that there is an independent and credible employee appeals mechanism;
- Assure that there are reasonable transparency and appropriate accountability mechanisms in connection with the results of the performance management process, including periodic reports on internal assessments and employee survey results relating to performance management and individual pay decisions while protecting individual confidentiality;

¹This safeguard also accounts for an internal grievance process to address employee complaints, such as the reconsideration of ratings.

-
- Involve employees in the design of the system, to include employees directly involved in validating any related implementation of the system; and
 - Adhere to the merit principles set forth in section 2301 of title 5 of the U.S. Code. (Two of these merit principles, which relate directly to performance management—(b)(2) and (b)(8A)—for example, identify (1) fair and equal treatment, regardless of factors such as political affiliation, race, color, sex, age, or handicapping condition and (2) protection against arbitrary action, personal favoritism, and coercion for partisan political purposes, as necessary, in all aspects of personnel management. The merit principles are listed in their entirety in appendix II.)

To assess the implementation of these safeguards and accountability mechanisms, we obtained, reviewed, and analyzed DOD guidance and other regulations provided by officials in the Office of the Director of National Intelligence, the Office of the Under Secretary of Defense for Intelligence, and the intelligence components in DOD. Specifically, we reviewed and analyzed key documents such as DCIPS guidance and policies, along with Office of Personnel Management guidance on performance management systems. We also reviewed available DCIPS training materials, including self-paced online trainings on the DCIPS Web site: <http://dcips.dtic.mil/index.html>, attended the DCIPS Data Administrator Training Course, and reviewed and analyzed DVDs of town hall meetings recorded by the Office of Naval Intelligence. Because DCIPS was in early implementation, we continuously reviewed the DCIPS Web sites including the Under Secretary of Defense for Intelligence's main Web site for updates on training materials and policies. Finally, we obtained relevant documentation and interviewed key Intelligence Community and DOD officials from the following organizations:²

- The Associate Director of National Intelligence for Human Capital and Intelligence Community Chief Human Capital Officer, Office of the Director of National Intelligence;
- The Under Secretary of Defense for Intelligence;
 - Under Secretary of Defense for Intelligence, Human Capital Management Office;
 - Under Secretary of Defense for Intelligence, Chief of Staff Directorate;

²DOD organizations are located in the Washington, D.C., metropolitan area unless otherwise indicated.

-
- Defense Agencies:
 - Defense Intelligence Agency, Directorate for Human Capital, Office for Performance Management;
 - National Geospatial-Intelligence Agency, DCIPS Program Management Office;
 - National Reconnaissance Office, Office of Human Resources;
 - National Security Agency, Human Resource Strategies;
 - Military Services:
 - Department of the Army, Intelligence Personnel Management Office;
 - Department of the Navy, Civilian Personnel Programs;
 - Office of Naval Intelligence, Civilian Intelligence Personnel Office;
 - Headquarters, U.S. Marine Corps, Intelligence Department, Intelligence Support;
 - Department of the Air Force, DCIPS Program Office;
 - Defense Security Service, Office of Human Resources.

Extent to which DOD has Mechanisms to Identify Employee Perceptions about DCIPS

To determine the extent that DOD had developed mechanisms to identify and address employee perceptions about DCIPS, we evaluated two primary sources of information. First, we reviewed the results of existing mechanisms DOD is using to address employee perceptions—which included climate surveys for the Intelligence Community, town hall meetings, along with information from the USD(I)’s Web site. Second, we conducted small group discussions with civilian intelligence personnel within the department who were converting to DCIPS and administered a short questionnaire to these participants to collect information on their background, tenure with the federal service and DOD, and attitudes toward DCIPS.

Discussion Groups

We conducted 26 discussion groups with defense civilian intelligence employees and supervisors from 7 of the 10 defense intelligence components converting to DCIPS.³ For the purposes of our discussion groups, we omitted defense civilian intelligence personnel from the Army, Air Force, and the Defense Security Service because at the time of our review, these components had not attained the same level of implementation as the other defense intelligence components.

³Discussion groups were conducted with employees and supervisors from the Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, National Security Agency, Navy, Marine Corps, and the office of the Under Secretary of Defense for Intelligence.

Additionally, for the defense intelligence components we did conduct discussion groups with, we also conducted discussion groups with 6 of 7 defense intelligence components that had a field location.

Our overall objective in using the discussion group approach was to obtain insight into employee and supervisor perceptions about DCIPS and its implementation thus far. Discussion groups, which are similar in nature and intent to focus groups, involve structured small group discussions that are designed to obtain in-depth information about specific issues. The information obtained is such that it cannot easily be obtained from a set of individual interviews. From each location, we requested that each defense intelligence component draw a systematic sample from its list of personnel in order to obtain a sample of 8 to 12 employees and 8 to 12 supervisors to participate. At the majority of the discussion groups, we reached our goal of meeting with 8 to 12 employees and supervisors in each discussion group; however, since participation was not compulsory and at some locations populations of employees to draw this random sample from were small, in a few instances we did not reach the recommended 8 participants in the group. Discussions were held in a semi-structured manner, led by a moderator who followed a standardized list of questions. The discussions were documented by one or two other analysts at each location. For field sites, we selected components that had a concentration of more than 25 employees.

Scope of Our Discussion Groups

In conducting our discussion groups, our intent was to achieve saturation—the point at which we were no longer hearing new information. As noted, we conducted 26 discussion groups with employees and supervisors of DOD civilian intelligence personnel at the 13 DOD sites we visited. Our design allowed us to identify themes, if any, in perceptions held by employees and supervisors. Discussion groups were conducted between April 2009 and May 2009.

Methodology of Our Discussion Groups

A discussion guide was developed to facilitate the discussion group moderator in leading the discussions. The guide helped the moderator address several topics related to employees' and supervisors' perceptions of the performance management system, including their overall perception of DCIPS and the rating process, the training they received on DCIPS, the communication they have with their supervisor, positive aspects of DCIPS, and any changes they would make to DCIPS, among others. Each discussion group began with the moderator greeting the participants, describing the purpose of the study, and explaining the procedures for the discussion group. Participants were assured that all of their comments would be discussed in the aggregate or as part of larger themes that

emerged. The moderator asked participants open-ended questions related to DCIPS. All discussion groups were moderated by a GAO analyst, while at least one other GAO analyst observed the discussion group and took notes. After each discussion group, the moderator and note taker reviewed the notes from the session to ensure that the nature of the comments was captured accurately.

Content Analysis

We performed content analysis of our discussion group sessions in order to identify the themes that emerged during the sessions and to summarize participant perceptions of DCIPS. Specifically, at the conclusion of all our discussion group sessions, we reviewed responses from each of the discussion groups and created a list of themes. We then reviewed the comments from each of the 26 discussion groups and assigned comments to the appropriate themes, which were agreed upon by three analysts. The responses were used in our evaluation and discussion of how civilian employees perceive DCIPS.

Limitations

Discussion groups are not designed to (1) demonstrate the extent of a problem or to generalize the results to a larger population, (2) develop a consensus to arrive at an agreed-upon plan or make decisions about what actions to take, or (3) provide statistically representative samples or reliable quantitative estimates. Instead, discussion groups are intended to provide in-depth information about participants' reasons for holding certain attitudes about specific topics and to offer insights into the range of concerns about and support for an issue. Specifically, the projectability of the information obtained during our discussion groups is limited for three reasons. First, the information gathered during our discussion groups on DCIPS represents the responses of only the employees and supervisors present in our 26 discussion groups. The experiences of other employees and supervisors under DCIPS who did not participate in our discussion groups may have varied. Second, while the composition of our discussion groups was designed to ensure a random sample of employees and supervisors under DCIPS, our sampling did not take into account any other demographic or job-specific information. Third, our discussion group samples are not generalizable to all component locations.

Use of a Questionnaire to Supplement Discussion Group Findings

We administered a questionnaire to discussion group participants during the discussion group session to obtain further information on their backgrounds and perceptions of DCIPS. The questionnaire was administered and received from 238 participants of our discussion groups. The purpose of our questionnaire was to (1) collect demographic data from participants for the purpose of reporting with whom we spoke (see table 1), and (2) collect information from participants that could not easily

be obtained through discussion, e.g., information participants may have been uncomfortable sharing in a group setting. Specifically, the questionnaire included questions designed to obtain employees' perceptions of DCIPS as compared with their previous personnel system, the accuracy with which they felt their ratings would reflect their performance, and management's methods for conveying individual and group rating information. Since the questionnaire was used to collect supplemental information and was administered solely to the participants of our discussion groups, the results represent the opinions of only those employees who participated in our discussion groups. Therefore, the results of our questionnaire cannot be generalized across the population of DOD civilian intelligence personnel.

Table 1: Composition of Discussion Groups by Demographic Category per Component.

Agency	Non-Supervisory Employees	Supervisors	Male	Female	No answer (sex)	American Indian/ Alaskan Native	Asian	Black/ African-American	Native Hawaiian or other Pacific Islander	Hispanic / Latino	White	Indicated More than One Race	Other	No Answer (Race)
Defense Intelligence Agency	4	7	7	4				2			8	1		
field location	12	12	15	8	1			3			20			1
National Geospatial-Intelligence Agency	11	15	18	8			1	6			18	1		
field location	11	10	12	9				1			20			
National Security Agency	6	9	5	10				1			13	1		
field location	5	6	6	5				1		1	7	1		1
National Reconnaissance Office	10	7	10	7				1			15	1		
field location	5	7	9	3						1	10	1		
Under Secretary of Defense for Intelligence	9	4	6	7			1	2			10			
Navy	16	14	19	11			1	4			23	1	1	
Office of Naval Intelligence (field location)	7	10	13	4				3			13	1		
Marine Corps	10	10	14	6							16	1		2

Appendix III: Scope and Methodology

Agency	Non-Supervisory Employees	Supervisors	Male	Female	No answer (sex)	American Indian/Alaskan Native	Asian	Black/African-American	Native Hawaiian or other Pacific Islander	Hispanic / Latino	White	Indicated More than One Race	Other	No Answer (Race)
Marine Corps Intelligence Activity (field location)	12	9	14	7							19			2
Total	118	120	148	89	1	0	3	24	0	2	192	9	1	6

Source: GAO analysis.

Note: Participants voluntarily self-reported demographic information in our questionnaire; some participants did not provide responses for all demographic questions. In addition, participants could select more than one response category for the ethnic and racial questions.

We conducted our review from November 2008 to November 2009 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.

Appendix IV: Defense Civilian Intelligence Personnel System Compared to the National Geospatial-Intelligence Agency System

The Defense Civilian Intelligence Personnel System (DCIPS) is largely based on the National Geospatial-Intelligence Agency's Total Pay Compensation pay-for-performance system. The National Geospatial-Intelligence Agency's system was in existence for about 10 years (1999-2009). Table 2 provides a comparison of the two systems.

Table 2. DCIPS and Total Pay Compensation Comparison.

	Comparison	
	Department of Defense DCIPS	National Geospatial-Intelligence Agency Total Pay Compensation
Authorities	Pub. L. No. 104-201 §§1631-1632 (1996), as amended by Pub. L. No. 106-398, § 1141 (2000) (codified at 10 U.S.C. §§1601-1614).	Same
Performance Management		
Rating Cycle	Fiscal Year	Same
Rating Elements (WHAT) (HOW)	Generally Three to Six Performance Objectives ^a Six Performance Elements ^b Accountability for Results Communication Critical Thinking Engagement and Collaboration Personal Leadership and Integrity Technical Expertise	N/A - no specific objectives designed 3 - 10 Critical Elements recommended (similar). Examples include: Accountability Leading People Interpersonal Relationship Development and Networking
Rating Scale	Assigns 1-5 for each objective and each element 5 = Outstanding 4 = Excellent 3 = Successful 2 = Minimally Successful 1 = Unacceptable	500 point scale with weighting applied to five rating levels 5 = Superior 4 = Excellent 3 = Successful 2 = Marginal 1 = Unsatisfactory
Employee Rating	Established by Rater and approved by Reviewer(s) ^c	Same
Occupational Structure	Component-specific job titles (with cross-walk to OPM job titles/categories) aligned to common work categories/levels	Work roles and occupations crosswalk to OPM job titles/categories.
Pay Structure	One common pay band structure for all occupations aligned to common work categories/levels ^d	One common pay band structure for all occupations
Pay Administration		
Pay Pool Process	Annual consideration for base pay and bonuses	Same
Payout Decisions	Employee payout in early January	Same

**Appendix IV: Defense Civilian Intelligence
Personnel System Compared to the National
Geospatial-Intelligence Agency System**

	Comparison	
	Department of Defense	National Geospatial-Intelligence Agency
	DCIPS	Total Pay Compensation
	Final Ratings will be inserted into Compensation Work Bench—a software tool which utilizes an algorithm to determine salary increases and bonus awards. ^e Any changes to pay increases based on the algorithm, per DCIPS guidance, must be documented, justified, and approved by the PRA (see below) ^f	Final ratings are inserted into a Total Performance Compensation spreadsheet—software tool which utilizes an algorithm to determine salary increases and bonuses. Any changes to salary increases and bonuses, per guidance, must be documented, justified, and approved by boards, office level directors, and Agency review authority.
Pay Pool Performance Review Authority (PRA)	A Pay Pool PRA oversees one or more pay pools, and conducts a summary review of all salary decisions to assess conformance to policy guidance and equity across pay pools. The Pay Pool PRA approves the final pay pool decisions.	PRA function is incorporated into higher level

Source: GAO analysis.

^a Employees in consultation with their supervisors, design three to six objectives that link their job to the agency mission as noted in Figure 5. These objectives are to be specific, measurable, achievable, relevant, and time limited (SMART).

^b Supervisors will be evaluated on Accountability for Results, Communication, Critical Thinking, Engagement and Collaboration, Leadership, and Management Proficiency.

^c A Performance Review Authority reviews the ratings from multiple reviewing officials. Under DCIPS, this Performance Management Performance Review Authority is separate from the Pay Pool Performance Review Authority.

^d DCIPS work levels include: Entry/Developmental, Full Performance, Senior, and Expert. Except for Entry/Developmental, these other work levels include positions that may be defined as supervisors/managers.

^e Per ODNI, NICCP uses a standard mathematical formula that applies, among other things, the following factors: an individual employee's performance rating; the overall performance ratings distribution in the pay pool; the employee's current base salary; the total payroll for all employee in the pay pool; and the overall pay pool budget for performance pay increases.

^f Department of Defense Instruction 1400.25-V2012, DOD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance-Based Compensation (September 15, 2009).

Appendix V: Training Curriculum

The Under Secretary of Defense for Intelligence has designed several training courses as part of a curriculum for the Defense Civilian Intelligence Personnel System (DCIPS). This curriculum covers various aspects of DCIPS. Table 3 illustrates the range of training courses provided to Intelligence Community employees.

Table 3: Selected DCIPS Training Curriculum

Training Category	Course	Audience	Duration	Delivery Method	Summary
Transition to DCIPS	<i>Communication Matters: Succeeding Under DCIPS</i>	Managers/Supervisors and Employees	1.5 hour	Web-based	This is a self-paced, interactive, Web-based course designed to provide an overview of DCIPS and offer ways for employees, managers, and supervisors to prepare for the transition.
Overview	<i>DCIPS 101</i>	Employees	1.5 hour	Web-based	This is a self-paced, Web-based course about core DCIPS elements. This course serves as a recommended prerequisite for the classroom sessions.
	<i>Core Elements of DCIPS</i>	Managers/Supervisors and Employees	½ day	Classroom	Participants will review how core elements of human resource management are changing with the policies associated with DCIPS.
	<i>HR Elements for HR Practitioners</i>	Human Resource Practitioners	3 days	Classroom	Participants will review the detailed guidance that HR Practitioners need to operate under the new aspects of DCIPS.
Performance Management	<i>Understanding Performance Management</i>	Employees	1 day	Classroom	Participants will learn about how to work in a performance-based organization; how to develop performance based objectives; and how their performance will be rated under DCIPS.
	<i>Managing Performance</i>	Managers/Supervisors	2 days	Classroom	Participants will learn about how performance management works under DCIPS, including how to plan and drive performance throughout the year, write accomplishments, rate performance, represent employees, etc.
	<i>Driving Performance Through Dialogue</i>	Managers/Supervisors and Employees	5 hours	Classroom	Participants will learn how to prepare for and engage in performance conversations required under DCIPS' performance management process. This course can be taught to separate groups of manager/supervisors or employees as a mixed audience.
Performance Objectives	<i>SMART Performance Objectives</i>	Managers/Supervisors and Employees	2.5 hours	Classroom	Participants will learn more about how to write SMART Objectives. This course can be taught to separate groups of manager/supervisors or employees as a mixed audience.

Appendix V: Training Curriculum

Training Category	Course	Audience	Duration	Delivery Method	Summary
	<i>DCIPS iSuccess</i>	All employees	1.5 hours	Web-based	Self-paced course that guides employees through the writing process using a step-by-step approach.
Pay Pool	<i>DCIPS Pay Pools, Performance, and You</i>	All employees	1.5 hours	Web-based	Self-paced, interactive, Web-based course that explains how performance management and pay pool process are designed to ensure that employees are appropriately recognized and rewarded for their contributions to achieving organizational goals.
	<i>DCIPS Pay Pools Advisor Guide</i>	Pay Pool Advisors	N/A	Print	Working guide for pay pool advisors to use during mock and real pay pools. Topics include key players and their responsibilities, getting started, what to look out for, and keeping the pay pool on track.
	<i>Preparing Your Organization for Pay Pools</i>	Rating Officials and Reviewing Officials	½ day	Classroom	Participants will review the pay pool process, including how to achieve appropriate and fair performance-based ratings, review ratings for consistency across the pay pool and organization, and communicate salary increase and bonus information to employees.
	<i>Pay Pools in Action</i>	Pay Pool Managers, Panel Members, Pay Pool Performance Review Authorities (PRAs), and Pay Pool Advisors	1 day	Classroom	Participants will have an opportunity to practice conducting pay pool decisions about performance-based salary increases and bonuses and addresses steps that can be take to ensure fairness and consistency during the payout process.
Compensation	<i>DCIPS Compensation Fundamentals</i>	Human capital practitioners, budget/financial specialists/analysts, compensation specialists/analysts, and other employees/managers who are involved in compensation issues on a regular basis	1 day	Classroom	Participants will review the pay elements under DCIPS and flexibilities that can be used to ensure the long-term effectiveness of DCIPS; discuss pay-setting rules based on where the new hire is coming from; and review the six factors to consider when setting pay.

Source: DOD.

Appendix VI: Defense Civilian Intelligence Personnel System Comparison with the National Security Personnel System

In addition to the Defense Civilian Intelligence Personnel System (DCIPS), DOD has also been implementing a pay-for-performance system for civilian employees who were not in the Intelligence Community—the National Security Personnel System. Table 4 provides a comparison of the two systems.

Table 4. DCIPS and the National Security Personnel System Comparison

DCIPS and the National Security Personnel System: A Comparison		
	DCIPS	National Security Personnel System
Authorities	Pub. L. No. 104-201 §§1631-1632 (1996), as amended by Pub. L. No. 106-398, § 1141 (2000) (codified at 10 U.S.C. §§1601-1614).	Pub. L. No. 108-136, § 1101 (2003), as amended by Pub. L. No. 110-181, § 1106 (2008) (codified at 5 U.S.C. §§ 9901-9904).
Performance Management		
Rating Cycle	Fiscal Year	Same
Rating Elements (WHAT)	Generally Three to Six Performance Objectives ^a	Generally Three to Five Performance Objectives
(HOW)	Six Performance Elements ^b Accountability for Results Communication Critical Thinking Engagement and Collaboration Personal Leadership and Integrity Technical Expertise	Seven Contributing Factors Communication Cooperation and Teamwork Critical Thinking Customer Focus Leadership Resource Management Technical Proficiency
Rating Scale	Assigns 1-5 for each objective and each element 5 = Outstanding 4 = Excellent 3 = Successful 2 = Minimally Successful 1 = Unacceptable	Assigns 1-5 for each objective, but +/- for contributing factors 5 = Role Model 4 = Exceeds Expectations 3 = Valued Performer 2 = Fair 1 = Unacceptable
Employee Rating	Established by Rater and approved by Reviewer(s) before the pay pool process. ^c	Established by the Pay Pool. Pay Pools are responsible for reviewing ratings of record, share allocations, and payout distribution.
Occupational Structure	Component-specific job titles (with cross-walk to OPM job titles/categories) aligned to common work categories/levels	Job titles aligned to four occupationally-based career groups.
Pay Structure	One common pay band structure for all occupations aligned to common work categories/levels ^d	4 career groups ^e comprised of 15 pay schedules and 44 pay bands.
Pay Administration		
Payout Decisions	Employee payout in early January	Employee payout in early January

**Appendix VI: Defense Civilian Intelligence
Personnel System Comparison with the
National Security Personnel System**

DCIPS and the National Security Personnel System: A Comparison		
	DCIPS	National Security Personnel System
	Final Ratings will be inserted into Compensation Work Bench—a software tool which utilizes an algorithm to determine salary increases and bonus awards. ^a Any changes to pay increases based on the algorithm must be documented, justified, and approved by the PRA (see below) ^f	Also uses a Compensation Work Bench, however employees are assigned a number of shares based on their performance rating; the value of one share is determined by the overall number of shares awarded.
Pay Pool Performance Review Authority (PRA)	A Pay Pool PRA oversees one or more pay pools, and conducts a summary review of all salary decisions to identify potential issues with regard to merit, consistency, or unlawful discrimination among the pay pools under its authority. The Pay Pool PRA approves the final pay pool decisions.	Provides oversight of several pay pools, and addresses the consistency of performance management policies within a component, major command, field activity, or other organization as determined by the component.

Source: GAO analysis.

^a Employees in consultation with their supervisors, design three to six objectives that link their job to the agency mission as noted in Figure 5. These objectives are to be specific, measurable, achievable, relevant, and time limited (SMART).

^b Supervisors will be evaluated on Accountability for Results, Communication, Critical Thinking, Engagement and Collaboration, Leadership, and Management Proficiency.

^c A Performance Review Authority reviews the ratings from multiple reviewing officials. Under DCIPS, this Performance Management Performance Review Authority is separate from the Pay Pool Performance Review Authority.

^d DCIPS work levels include: Entry/Developmental, Full Performance, Senior, and Expert. Except for Entry/Developmental, these other work levels include positions that may be defined as supervisors/managers.

^e Per ODNI, NICCP uses a standard mathematical formula that applies, among other things, the following factors: an individual employee's performance rating; the overall performance ratings distribution in the pay pool; the individual employee's current base salary; the total payroll for all employee in the pay pool; and the overall pay pool budget for performance pay increases.

^f Department of Defense Instruction 1400.25-V2012, *DOD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance-Based Compensation* (September 15, 2009).

^g The NSPS career groups include: Standard Career Group, Medical Career Group, Scientific and Engineering Career Group, and Investigative and Protective Services Career Group.

Appendix VII: Comments from the Department of Defense



INTELLIGENCE

OFFICE OF THE UNDER SECRETARY OF DEFENSE
5000 DEFENSE PENTAGON
WASHINGTON, DC 20301-5000

DEC 03 2009

Ms. Brenda S. Farrell
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Farrell,

This is the Department of Defense response to GAO draft report, "DOD CIVILIAN PERSONNEL: Intelligence Personnel System Incorporates Safeguards, but Opportunities Exist for Improvement" dated November 12, 2009 (GAO Code 351297). We thank you for the opportunity to review and comment.

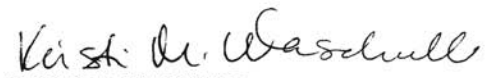
As noted throughout the draft report, the common Defense Civilian Intelligence Personnel System (DCIPS) is in its infancy. While conversions to DCIPS Performance Management and DCIPS Occupational Bands largely occurred during the same timeframe as the Government Accountability Office (GAO) review, efforts and planning, to include design, development, training and communication for the common DCIPS architecture, began in earnest in 2005. These efforts included representatives from each Defense intelligence component, in addition to the Office of the Director of National Intelligence and the Department of Defense, and focused on creating a common DCIPS framework within our Defense intelligence components that is fair and equitable, consistent, and transparent.

There are inherent challenges in implementing a change of this magnitude, and we appreciate the report taking notice of our communication and training strategies and efforts, while noting that employee perceptions are a challenge. We see the recommendations in the GAO draft report as logical next steps in the evolution of DCIPS and note that action has already been taken towards all four recommendations.

We recognize the challenges and uncertainty we face as we work within the restrictions of the NDAA FY 2010 language that suspended certain pay authorities through December 31, 2010. We continue to move forward with DCIPS, within the language of the law, with focus on a robust and rigorous evaluation program and support



to the independent review of DCIPS required by the NDAA FY2010. Thank you for
your review and recommendations.



KRISTI M. WASCHULL
Director, Human Capital Management Office
Office of the Under Secretary of Defense (Intelligence)

GAO Draft Report Dated November 12, 2009
GAO-10-134 (GAO code 351297)

“DOD CIVILIAN PERSONNEL: INTELLIGENCE PERSONNEL
SYSTEM INCORPORATES SAFEGUARDS, BUT
OPPORTUNITIES EXIST FOR IMPROVEMENT”

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to develop guidance to institutionalize a process to involve employees continually in future design and implementation changes to the Defense Civilian Intelligence Personnel System (DCIPS).

DOD RESPONSE: The Department concurs on this recommendation and is developing guidance to more formally institutionalize a process that involves employees continually in the design, implementation and evaluation of the evolving DCIPS. We agree that continuous employee feedback and involvement are important to gaining acceptance of DCIPS. As you are aware, the Intelligence Community (IC) does not have employee bargaining units. Consequently, we believe it to be all the more important that we ensure a robust and consistent process for employee engagement across the Defense intelligence enterprise.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to issue guidance on its analysis of finalized ratings that explains how the demographic analysis of ratings is to be conducted, to help ensure equity, fairness, and non-discrimination in ratings.

DOD RESPONSE: The Department concurs on this recommendation and has issued initial guidance on the requirement for analysis of finalized ratings that outlines timing and content of the demographic analysis of ratings. We are finalizing specific guidance for individual components that takes into account requirements of the FY 2010 National Defense Authorization Act with regard to DCIPS.

RECOMMENDATION 3: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to finalize and execute its evaluation plan with metrics to assess the system, including the implementation of internal safeguards, to help ensure the department evaluates the impact of DCIPS.

DOD RESPONSE: The Department concurs on this recommendation and is in the process of finalizing the DCIPS evaluation plan with metrics to assess the system,

Attachment
Page 1 of 2

including the implementation of internal safeguards. The Department recognizes the importance of evaluating the impact of DCIPS.

RECOMMENDATION 4: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Intelligence to expeditiously implement mechanisms-including the four surveys-that comprehensively and accurately identify and measure employee perceptions; and ensure those mechanisms include questions regarding certain safeguards, such as the internal grievance process and employee's acceptance of DCIPS.

DOD RESPONSE: The Department concurs with this recommendation. The Department is finalizing plans for mechanisms that comprehensively and accurately identify and measure employee perceptions. The mechanisms will include questions regarding certain safeguards, such as the internal grievance process and employee's acceptance of DCIPS as recommended.

Appendix VIII: Comments from the Office of the Director of National Intelligence

UNCLASSIFIED

OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE
WASHINGTON, DC 20511

DEC 08 2009

Ms. Brenda S. Farrell
Director, Defense Capabilities
and Management
United States Government
Accountability Office
Washington, DC 20548

Dear Ms. Farrell:

(U) This responds to the November 12, 2009 request for review of a draft report entitled "DOD Civilian Personnel: Intelligence Personnel System Incorporates Safeguards, but Opportunities Exist for Improvement," GAO-10-134.

(U) We appreciate the opportunity to comment on the draft report given the central role the ODNI played in recent development of Defense Civilian Intelligence Personnel System (DCIPS) and the National Intelligence Civilian Compensation Program (NICCP), and the importance of those companion efforts to the Intelligence Community's overall transformation. Please find attached our suggested edits to the body of the report and our official comments for inclusion in the appendices.

(U) Overall, we believe the tenor of the report is fair and balanced, though the Highlights are overly negative and should be modified to more accurately reflect the tone and body of the report. In addition, we believe the report should also emphasize that DCIPS and the NICCP are intended to meet the goals of the Intelligence Reform and Terrorism Prevention Act of 2004. Thus, the ODNI and DoD are pursuing these efforts as a means of integrating and unifying the Community under a single, common human capital policy framework, where the IC's agencies and elements have historically operated under as many as six separate statutory personnel systems. GAO has noted that common human capital policies can act as a powerful tool in support of organizational transformation, and no where is this more critical than in the IC. We also believe the report should emphasize that DCIPS was authorized by statute in 1997 and is separate and distinct from the National Security Personnel System; the latter was authorized several years later and has taken a much different path with respect to its design and implementation.

(U) In 2001 GAO identified human capital as a "High Risk Area" across the executive branch, and it has been a champion of civil service reform ever since. We applaud your efforts in that regard and believe that NICCP/DCIPS is consistent with the spirit and intent of GAO's views. We also appreciate your comprehensive review and

UNCLASSIFIED

**Appendix VIII: Comments from the Office of
the Director of National Intelligence**

UNCLASSIFIED

thoughtful recommendations; we take them seriously and will work with DoD to implement them insofar as possible.

(U) Specific comments are provided in the Enclosure.

(U) If you have any questions regarding this matter, please do not hesitate to contact me at (703) 275-2473.

Sincerely,



Kathleen Turner
Director of Legislative Affairs

Enclosure

UNCLASSIFIED

UNCLASSIFIED

Enclosure:

**Comments of the Intelligence Community Chief Human Capital Officer
on the GAO DRAFT Report:
DOD Civilian Personnel:
Intelligence Personnel System Incorporates Safeguards,
but Opportunities Exist for Improvement**

ODNI appreciates the opportunity to comment on this GAO report. While the overall tenor of the report is fair and balanced, we do feel obligated to make a couple of important points. The design of DCIPS complies with all IC Directives, which were developed after an extensive period of collaboration among IC agencies and elements. The policy design represents a serious consideration of lessons learned from best practices found in existing successful alternative pay systems (with particular attention paid to NGA). Furthermore, the IC did gather input (in 2006) from hundreds of IC employees during the policy development and program design phases. It has always been our intention to continue soliciting additional employee suggestions for process improvement at the conclusion of each annual performance and pay cycle.

IC Directive 650 clearly lays out ten guiding principles which very closely align to the ten criteria chosen by GAO for their review. We agree that employees must be informed and educated on the details of the IC-wide program, as well as their department or agency's compensation and performance management systems. They are to be given the opportunity to provide feedback on the content of those systems and their implementation, and their feedback must be considered when those systems are developed, implemented, and administered. During the design and implementation phases of our change initiative, we made several changes based on employee feedback. For example, we decided to pass through to all employees the full general pay increase (unadjusted by performance results). We also modified our implementation schedules whenever the agencies or elements didn't feel their workforce was properly prepared to convert to DCIPS.

Change is often difficult for employees to accept, and there will always be some who are uncomfortable with the rate of change. But we believe this is more a reflection of where DCIPS is in its implementation schedule than any material defect in the design. The feedback that will be the most valuable will only come after we have been allowed to run all the way through a pay-for-performance cycle so we can evaluate the results.

Regarding safeguards, our ICDs clearly affirm the need for employee protections. We must provide rigorous oversight of the administration of IC compensation and performance management systems, including review mechanisms to guard against unlawful discrimination and partisan pressures, and other non-merit factors such as cronyism and favoritism. We must also ensure transparency of merit-based pay

1

UNCLASSIFIED

UNCLASSIFIED

and performance decisions for employees. We acknowledge that DCIPS can and must be improved, and agree to work with USD(I) in an expeditious manner to address the areas you have identified. However, we strongly believe that DCIPS has been established on a strong foundation of policy directives and incorporates many best practices in its processes. We think DCIPS is off to a very solid start and will only get better.

2

UNCLASSIFIED

Appendix IX: GAO Contact and Staff Acknowledgments

GAO Contact

Brenda S. Farrell, (202) 512-3604, or farrellb@gao.gov.

Acknowledgments

In addition to the contact named above, Marion Gatling (Assistant Director), Beth Bowditch, Margaret Braley, Ryan D'Amore, Nicole Harms, Cynthia Heckman, Mae Jones, James P. Krustapentus, Lonnie McAllister, II, Spencer Tacktil, Carolyn Taylor, John Van Shaik, José Watkins, and Greg Wilmoth made key contributions to this report.

Related GAO Products

Human Capital: Monitoring of Safeguards and Addressing Employee Perceptions Are Key to Implementing a Civilian Performance Management System in DOD. [GAO-10-102](#). Washington, D.C.: October 28, 2009.

Human Capital: Continued Monitoring of Internal Safeguards and an Action Plan to Address Employee Concerns Could Improve Implementation of the National Security Personnel System. [GAO-09-840](#). Washington, D.C.: June 25, 2009.

Human Capital: Improved Implementation of Safeguards and an Action Plan to Address Employee Concerns Could Increase Employee Acceptance of the National Security Personnel System. [GAO-09-464T](#). Washington, D.C.: April 1, 2009.

Questions for the Record Related to the Implementation of the Department of Defense's National Security Personnel System. [GAO-09-669R](#). Washington, D.C.: May 18, 2009.

High-Risk Series: An Update. [GAO-09-271](#). Washington, D.C.: January 2009.

Human Capital: DOD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System. [GAO-08-773](#). Washington, D.C.: September 10, 2008.

Human Capital: DOD Needs Better Internal Controls and Visibility over Costs for Implementing Its National Security Personnel System. [GAO-07-851](#). Washington, D.C.: July 16, 2007.

Office of Personnel Management: Key Lessons Learned to Date for Strengthening Capacity to Lead and Implement Human Capital Reforms. [GAO-07-90](#). Washington, D.C.: January 19, 2007.

Post-Hearing Questions for the Record Related to the Department of Defense's National Security Personnel System (NSPS). [GAO-06-582R](#). Washington, D.C.: March 24, 2006.

Human Capital: Observations on Final Regulations for DOD's National Security Personnel System. [GAO-06-227T](#). Washington, D.C.: November 17, 2005.

Human Capital: Designing and Managing Market-Based and More Performance-Oriented Pay Systems. [GAO-05-1048T](#). Washington, D.C.: September 27, 2005.

Human Capital: DOD's National Security Personnel System Faces Implementation Challenges. [GAO-05-730](#). Washington, D.C.: July 14, 2005.

Questions for the Record Related to the Department of Defense's National Security Personnel System. [GAO-05-771R](#). Washington, D.C.: June 14, 2005.

Questions for the Record Regarding the Department of Defense's National Security Personnel System. [GAO-05-770R](#). Washington, D.C.: May 31, 2005.

Post-Hearing Questions Related to the Department of Defense's National Security Personnel System. [GAO-05-641R](#). Washington, D.C.: April 29, 2005.

Human Capital: Preliminary Observations on Proposed Regulations for DOD's National Security Personnel System. [GAO-05-559T](#). Washington, D.C.: April 14, 2005.

Human Capital: Preliminary Observations on Proposed Department of Defense National Security Personnel System Regulations. [GAO-05-517T](#). Washington, D.C.: April 12, 2005.

Human Capital: Preliminary Observations on Proposed DOD National Security Personnel System Regulations. [GAO-05-432T](#). Washington, D.C.: March 15, 2005.

Posthearing Questions Related to Strategic Human Capital Management. [GAO-03-779R](#). Washington, D.C.: May 22, 2003.

Human Capital: DOD's Civilian Personnel Strategic Management and the Proposed National Security Personnel System. [GAO-03-493T](#). Washington, D.C.: May 12, 2003.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

