



June 19, 2014

The Honorable Jeff Miller
Chairman
House Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, DC 20515

The Honorable Michael Michaud
Ranking Member
House Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, DC 20515

Dear Chairman Miller and Ranking Member Michaud:

As you know, the Senior Executives Association (SEA) represents the interests of career federal executives in the Senior Executive Service (SES), and those in Senior Level (SL), Scientific and Professional (ST), and equivalent positions. On behalf of the Association, and of the SEA members who serve at the Department of Veterans Affairs (VA), a third of whom are themselves veterans, I am writing to share SEA's perspective on the SES performance management system at the VA and government-wide.

The SES is a government-wide pay for performance system¹. Although the SES was created by the 1978 Civil Service Reform Act, the current pay for performance system was championed by the Bush Administration and authorized by Congress in 2004. It was ostensibly modeled on the private sector. All SES pay adjustments are based on performance and completely discretionary to the agency as are, of course, performance awards. Unlike their General Schedule (GS) counterparts, Senior Executives no longer would receive locality pay or annual cost of living adjustments (in the years when the Executive Schedule was not frozen and the President issued an Executive Order implementing pay adjustments for SES Ranks). Further, there is no guarantee that a Senior Executive receives a pay raise when moving from the GS into the SES.

Currently, career Senior Executives at the VA, and government-wide, are subjected to a rigorous selection process to even be considered for positions in the Senior Executive Service². They must possess the skills and experience to serve at the highest career levels of the agency

¹ Office of Personnel Management, Guide to the Senior Executive Service, April 2014. <http://www.opm.gov/policy-data-oversight/senior-executive-service/reference-materials/guidesessservices.pdf>

² Office of Personnel Management, Guide to Senior Executive Service Qualifications, September 2012. http://www.opm.gov/policy-data-oversight/senior-executive-service/reference-materials/guidetosesequals_2012.pdf

and oversee multi-billion dollar budgets and complex programs that are comparable to Fortune 500 companies in the private sector. Given this bar to entry into the SES, it is to be expected that the overwhelming majority of Senior Executives receive ratings of at least Fully Successful; it would be surprising if they were not high performers. Furthermore, Senior Executives at the VHA often possess additional certification in healthcare management (FACHE certification) that is awarded by the American College of Healthcare Executives to those with qualifying experience and training.

Once in the SES, Senior Executives receive comprehensive annual reviews, along with mid-year informal reviews, to assess their performance and its alignment to the goals outlined in their annual performance plans. These plans include multiple goals for individual performance, organizational performance for the component in which they work within the VA, and the agency overall. It is SEA's understanding that organizational performance is a main factor in each VA executive's performance plan and rating.

Once an initial performance rating is given to a VA executive, it goes through a multi-level review process (including assessments by independent Performance Review Committees and Performance Review Boards which can recommend maintaining the initial rating or raising or lowering it). The ultimate decision on each rating rests with the Secretary, who can choose to raise, lower or maintain the recommended rating. This is based on a review of the goals outlined in the performance plan and any other factors that the Performance Review Boards and Secretary deem necessary. SEA has heard anecdotally that many ratings of VA Senior Executives are rigorously reviewed and lowered throughout the review process.

It is the goal at every agency, not just the VA, to hold Senior Executives accountable for individual and organizational performance. However, the performance appraisal system and individual executive performance plans, in which annual goals are set, are meant to ensure that a Senior Executive is held accountable for those programs, budgets, and pieces of the agency mission within his or her control. For instance, some VA Senior Executives oversee programs dealing with implementation of GI Bill benefits, while others oversee programs within the National Cemetery Administration. These Senior Executives cannot reasonably be held accountable for access to patient care, for example. With this in mind, SEA encourages you to ensure that any reforms to the performance management system recognize the line of sight of each Senior Executive and any external factors that may play a part in organizational performance. Although it is absolutely appropriate to hold Senior Executives accountable for their performance over things within their control, SEA's concern is that some calls for accountability thus far have focused more on scapegoating and less on ensuring the strong, high performing career executive corps at the VA that veterans deserve.

Although it is SEA's position that overall the current system is quite rigorous and has appropriate mechanisms to allow for accurate assessments of performance, we believe improvements can be made. In April, SEA conducted a survey of its members and asked for

perceptions of the pay and performance management system³. According to the survey, one quarter of respondents had not received an FY 2013 performance rating several months into the next performance cycle. Other respondents reported a lack of performance plans (by which individual goals are set and by which SES performance is measured) although the new performance cycle had already begun. Still other respondents commented on the lack of information and transparency by agencies, timing of ratings and final decisions, and a lack of accountability by the political appointees overseeing the process to ensure timeliness, fairness and accuracy. As is true at all levels of the federal workforce, fair and effective performance systems directly and positively impact both organizational and individual accomplishment.

Much of the focus recently has been on banning performance awards, or even rescinding them, at the Department of Veterans Affairs. It is unclear what authority the agency has to rescind a performance award that was given for performance based in the previous fiscal year. On top of being bad policy and serving as a disincentive for the best employees to become or remain Senior Executives at the VA, it does not address the issues with the performance management system or ensure that Senior Executives are appraised fairly and consistently. *Moreover, recent reports proclaiming large bonuses for Senior Executives at the VA often fail to note that few employees on the lists provided are Title 5 SES.* Nearly all of the largest bonuses⁴ listed in a recent report by *Asbury Park Press*⁵ went to employees under Title 38, in the General Schedule or other systems (and some of these systems - like Title 38 - provide excepted pay to enable higher rates which are closer to market pay and provide performance awards based on criteria different from the SES performance system). Before making changes to the SES system or banning performance awards, SEA urges the Committee to ensure it fully understands the system and which employees are within it.

In the private sector, VA career federal executives could find work as directors of major hospitals and health care systems. In that arena they would make \$400,000 to over \$1 million, rather than the maximum salary of \$181,500 that they can make as a federal employee. They would work for companies that invest in training and development, and that do not make policies based on allegations fanned by the media. Senior Executives work at the VA because they believe in the work and the mission of serving veterans.

Successful companies will tell you that investing in talent is a key ingredient to that success. Having a performance management system that fairly rewards employees draws the best

³ Senior Executives Association, *Deteriorating Pay for Performance Adversely Impacting Morale and Retention Within the Federal Career Senior Executives and Professionals Corps*, May 2014.

https://seniorexecs.org/images/documents/Deteriorating_Pay_for_Performance.pdf

⁴ Asbury Park Press, *Data Universe, Veterans Health Administration Bonuses*.

http://php.app.com/fed_employees13/results.php?topagency=DEPARTMENT+OF+VETERANS+AFFAIRS&agency_name=VETERANS+HEALTH+ADMINISTRATION&job_title=%25&statename=%25&tfm_order=DESC&tfm_orderby=award

⁵ Asbury Park Press, *"\$100M in bonuses at VA as problems mounted,"* June 11, 2014.

<http://www.app.com/story/news/investigations/watchdog/investigations/2014/06/10/va-bonus-payout/10302871/>

talent. A system of blanket punishment for all employees regardless of job duties or performance drives top talent away.

In fact, the VA already voluntarily banned performance awards at VBA and recently at VHA. Recently, the House Appropriations Committee added the following statement to its committee report⁶ on the Military Construction-Veterans Affairs appropriations bill (emphasis added):

*“Congress has been concerned by past instances of VA Senior Executive Service (SES) employees receiving performance bonuses when patient care standards have not been met in VA hospitals or when the disability claims backlogs have grown. However, **recent actions taken by the VA have assuaged Member concerns.** VA has centralized Senior Executive award decisions, strengthened the link between organizational performance and awards, added an additional level of review in consideration of awards, and significantly reduced the value of awards compared to prior years. Most importantly, the Secretary has demonstrated his willingness to use the bonus system as a way to reward and penalize staff based on performance. As one example, he made the decision to withhold performance awards for the entire Veterans Benefits Administration Senior Executive cadre based on the failure to meet targets on reducing disability claims backlogs. The Secretary has all the authority he needs to use bonuses to influence performance.”*

SEA has long offered proposals to strengthen the transparency and effectiveness of the SES performance management system. Furthermore, if the Committee is truly interested in getting a handle on how performance awards are determined for Senior Executives at VA and whether the performance appraisal process is being applied correctly, SEA requests that the Committee request a GAO report regarding the system – our suggested questions are attached below.

Should the Committee be interested in working with SEA on improving the system, the Association looks forward to engaging in meaningful dialogue. We appreciate the more comprehensive approach to examining the government-wide SES pay and performance management system and encourage you to continue to ensure there is a system in place to provide fair compensation and incentives so that the VA can continue to draw a world-class workforce. Veterans and Senior Executives deserve a system that works.

Sincerely,



CAROL A. BONOSARO
President

⁶ House Committee Report, Military Construction, Veterans Affairs, and Related Agencies Appropriations Bill, 2015. <http://appropriations.house.gov/uploadedfiles/hrpt-113-hr-fy2015-milcon.pdf>

Possible questions for a GAO Report on the SES Performance Management System at VA

- What is the basic SES pay and performance management system used at VA, starting with progress reviews, assignment of the initial rating, making final rating decisions, etc. What process is used for determining performance awards, including determining the awards funding pool? What about performance-driven pay adjustments? In addition to outlining the process, describe key roles and responsibilities of employees, rating officials and final decision makers.
- Are there any differences in how pay and performance awards policies are designed or applied to Title 5 versus Title 38 executives?
- How closely does the VA system follow the government-wide system issued by OPM?
- Describe how VA SES performance plans are developed, how are they communicated to Senior Executives, when Senior Executives receive their plans each year and how the plans are used in the appraisal process?
- Does VA have common or core critical elements that are featured in SES performance plans for all or large categories of executives? If so what are they?
- Who reviews and rates the performance of Senior Executives. If political appointees are involved, are they trained on the appraisal system, and do they have adequate health care/technical background to make informed judgments?
- How long does the appraisal process take? What are the timeframes for the key steps?
- How are ratings communicated to Senior Executives? How are mid-year reviews conducted and communicated?
- Does VA have a process for evaluating its SES performance management system, including the effectiveness and fairness of the process as well as outcomes produced? Is there any evidence that VA has imposed quotas or unsupported limits on rating levels, pay increases or performance awards?
- How does VA compare to other major federal agencies in terms of average performance ratings, size and frequency of pay adjustments and amounts of performance awards granted? What is the status of OPM certification of the VA process? Has OPM identified any problems with the VA system?
- What is the VA Performance Review Board (PRB) – who serves on it and for how long? How many PRBs exist at the Department and at what level (ie VHA, VBA, NCA)? How are PRB members appointed and by whom? Are both career and political appointees represented – and if so, to what extent?
- How many ratings are lowered annually at some point during the review process after the initial rating has been given? Is an explanation provided to the Executives whose ratings were lowered?
- Does each career Senior Executive have an updated position description? Are the PDs specific to the duties of each Senior Executive? Are the PDs used in the appraisal process? If so, how?
- Is there an SES management office at the VA? What role does this office play in supporting and assessing the performance management process?
- What is the average span of control of a Senior Executive at VA? In determining performance ratings, what is the level of accountability to which a Senior Executive is held regarding individual performance, as well as subordinate performance? How deep does this level of employee performance go for which a supervisor is ultimately accountable in a performance rating, given the span of control and organizational performance?