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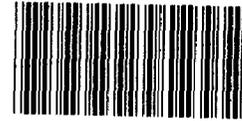
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-206717

JULY 1, 1982

The Honorable Donald J. Devine
Director, Office of Personnel
Management



118848

Dear Dr. Devine:

Subject: Better Guidance is Needed for Determining When
Examining Authority Should Be Delegated to
Federal Agencies (GAO/FPCD-82-41)

We have completed our review of the Office of Personnel Management's (OPM's) program for delegating to Federal agencies the authority to examine candidates for Federal jobs. The Civil Service Reform Act of 1978 authorized OPM to delegate examining authority as a means of improving the timeliness of the hiring process and the quality of Federal job candidates. By the end of fiscal year 1981, OPM had delegated 836 examining authorities to Federal agencies.

In September 1981, OPM announced plans to withdraw some of the delegations that had been made. The proposed withdrawal was based on the new Director's interpretation that the statute did not allow the extent of delegation that had occurred under the previous Director's interpretation of the law. In our opinion, however, both the prior and the current Directors' interpretations are consistent with the statute. We therefore believe withdrawing the authorities is not required by law.

In March 1982, OPM issued revised criteria and policy guidance for approving delegations.

We found that agencies, for the most part, were highly satisfied with the results of their own examining both in terms of improved timeliness and the quality of hires. OPM's studies have also concluded that agency examining has resulted in improved timeliness in the hiring process and in the quality of persons hired. Neither our work nor OPM's audits have disclosed problems or abuses that warrant withdrawing examining authority.

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We therefore believe OPM should not withdraw delegations of examining authority based solely on the March 1982 criteria and policy guidance.

OPM needs to determine the specific factors that make agency examining successful and use these factors in deciding when to delegate examining authority. OPM also needs to assure itself that agencies are reporting accurate and appropriate costs so that OPM can determine the relative cost effectiveness of delegating examining authority. Currently, reliable information on which to make a cost effectiveness comparison is not available.

OBJECTIVE, SCOPE, AND METHODOLOGY

We made this review at the request of the Chairwoman, Subcommittee on Manpower and Housing, House Committee on Government Operations. Our objective was to determine how well agencies were meeting Government personnel needs using delegated examining authority.

Our review was made in accordance with our Office's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." We reviewed the documents and studies leading to the Reform Act's authorization of delegated examining, the information developed and promulgated by OPM to carry out the delegations, OPM's postimplementation studies and statistics, and a selection of OPM audit reports.

We interviewed OPM officials in the headquarter's Staffing Services Division and the Eastern, Great Lakes, Mid-Atlantic, Rocky Mountain, and Western Regions. We selected these regions because they provided wide geographical coverage of delegations of examining authority. We interviewed officials and collected data at two OPM area offices and four Federal agency examining units 1/ in the Great Lakes Region. Great Lakes was chosen because we were aware that the region had evaluated some delegations. The agency sites were chosen because they represented high-volume users of the delegated authorities and provided coverage of both defense and civilian agencies.

BACKGROUND

Before passage of the Civil Service Reform Act of 1978, the Civil Service Commission, now the Office of Personnel Management,

1/The four agencies were (1) 2750th Air Base Wing, Wright Patterson Air Force Base, (2) Rock Island Arsenal, (3) Department of Health and Human Services, Region V, and (4) Environmental Protection Agency.

did most of the examining for Federal jobs. Candidates from outside the Government applied to the Commission, which determined their qualifications and maintained lists of eligible applicants for agencies wanting to fill vacant positions. President Jimmy Carter's 1977 Personnel Management Project, which developed many of the recommendations that led to the Reform Act, concluded that this centralized approach caused unnecessary delays in filling positions and created general dissatisfaction in the agencies with the quality of candidates. To solve these problems, the study recommended reducing the system's complexity and giving agencies more authority.

The Project's recommendations were incorporated into the Reform Act. The act permitted the Director, OPM, to give agencies authority for examining while the Director retained oversight responsibility. Under the act, the Director

- may delegate, in whole or in part, any function vested in or delegated to him, including authority for competitive examinations, to the heads of agencies in the executive branch and other agencies employing persons in the competitive service and

- may not delegate authority to examine for positions that have requirements which are common to agencies in the Government except in exceptional cases in which the interests of economy and efficiency require such delegation and will not weaken the application of merit system principles.

Agencies began accepting OPM's delegation of examining authority in October 1979. By the end of fiscal year 1981, OPM had delegated 836 examining authorities which accounted for 26 percent of the people hired by the Government that fiscal year.

On September 10, 1981, OPM announced that the policy and criteria governing delegations of examining authority would be changed. The Director, OPM, had indicated on several occasions that, in his opinion, some delegated examining authorities should not have been delegated under the statute.

In March 1982, OPM issued new criteria covering delegations and policy guidance to be used by OPM regions in deciding whether or not to approve requests for delegations of examining authority. Under the new criteria:

- OPM will not delegate examining authority for entry-level positions previously or currently covered by the Professional and Career Examination or for positions under the mid-level and senior-level examinations which are common to agencies.

--To support a delegation, the agency must be the predominant Federal employer of the occupation in the relevant labor market area.

"Predominant Federal employer" is defined as an agency or installation that employs (has on its rolls) about 80 percent or more of the employees in the occupation (at all grade levels) in the relevant labor market area. The "relevant labor market area" is defined as

- the commuting area, as defined by common practice for all wage grade and GS-1 through GS-11 one-grade interval occupations,
- the OPM or agency region for GS-5 through GS-12 two-grade interval occupations and GS-12 one-grade interval occupations, and
- nationwide for all occupations at grades GS-13 through GS-15.

OPM's guidelines for applying the criteria list several factors which must be considered before approving a delegation. These generally cover

- comparative cost effectiveness,
- adherence to merit principles, and
- opportunity for sharing examining responsibilities between OPM and the agencies instead of a delegation of examining authority to agencies.

Delegations not meeting the new criteria would be withdrawn. Officials in OPM's Staffing Services Division have estimated that the new criteria could affect up to 50 percent of the 836 delegated examining authorities but only about 15 percent of the candidates hired since many of the examining authorities affected are for low-volume mid- and senior-level positions.

RESULTS OF AGENCY EXAMINING APPEAR FAVORABLE

The centralized examining which existed before the Reform Act resulted in delays in filling positions and in agency dissatisfaction with the quality of candidates referred for selection. OPM's studies, as well as our discussions with agency officials, indicate that agency examining has improved the hiring process with few problems.

According to a March 1981 study by the Great Lakes Region, 95 percent of the installations in that region accepted examining

authority for at least some positions. The managers and personnel staff OPM surveyed said that timeliness, and candidate quality improved as a result.

Officials in the regional offices and the four agency examining units we visited told us that delegation of examining authority improved timeliness and the quality of candidates agencies were able to hire. Officials in the four examining units said delegated examining authority was especially helpful in their efforts to hire minorities and women. They attributed this to the fact that they can time their vacancy announcements and examining to coincide with their recruitment activities. With centralized examining, the timing of the examinations was entirely up to the Commission. Agency officials we interviewed based their assessment on observations. None of the four installations had formally analyzed the results of their examining process.

OPM's audits of examining units have not identified any pattern of problems or indications that the merit system is being abused. According to the Chief of the Examination Planning Branch, Staffing Services Division, OPM's audits generally have revealed only minor procedural problems with delegations of examining authority.

OPM withdrew examining authority from only five examining units as of December 1, 1981. In one case, the agency--the Community Services Administration--was abolished. In a second case, the delegation was restored after corrective action was taken on the problems identified. Two of the remaining were withdrawn for potential violations of merit principles, and the third was withdrawn for inadequate public notice of openings.

In announcing the proposed change, OPM listed the following reasons for revising the delegations policy.

- Criticism of delegations for occupations which appear to be common to other agencies.
- Applicants filing multiple applications for what appears to be the same job with several agencies.
- Duplication of examining efforts by agencies for similar occupations.
- Instances of apparent inadequate public notice of competitive examinations.

OPM officials said these reasons were based on anecdotal data contained primarily in letters from constituents to congressional offices. Because no tabulation of the various letters indicating problems was made, these officials were not able to tell us how many times or where the problems occurred. Officials believed a

tabulation would be very difficult since the letters were received by various OPM regional and area offices and are probably not consistently filed.

OPM officials did provide us with two letters from persons wanting to apply for Federal employment and complaining that applications had to be submitted to several agencies rather than submitting one application which would be considered for all possible openings.

OPM'S ABILITY TO HANDLE WITHDRAWN
EXAMINING WORKLOAD IS QUESTIONABLE

It is unlikely that OPM will be able to handle an increased examining workload and still maintain the timeliness encouraged by the Reform Act. OPM significantly reduced both its examining and job information service functions as agency examining expanded. In 1979, for example, it closed 19 area offices and 45 Federal job information centers.

Staffing Services Division officials told us that OPM would have difficulty performing the examining functions as promptly as agencies could. Further, based on previous experience with centralized examining under the Civil Service Commission, recentralizing may result in hiring less qualified candidates. Although responsiveness to agency needs may be improved from the predelegation experience by the planned automation of examinations involving written tests, according to OPM officials, it will be about 2-1/2 years before this system is in operation nationwide.

OPM'S NEW DELEGATION GUIDANCE
SHOULD RECOGNIZE BENEFITS AND
CLARIFY HOW COSTS WILL BE MEASURED

OPM's March 1982 criteria and policy guidance to be used in determining whether or not to approve requests for delegation of examining authority neither considers the benefits resulting from previous delegations nor specifies what costs should be reported for determining the cost effectiveness of delegations.

OPM's criteria for approving delegations basically require an agency to be the predominant employer for an occupation in a labor market area. Exceptions to the criteria may be granted in the interests of economy and efficiency. Other factors OPM considers in deciding whether to delegate examining authorities include:

- The delegation must be cost efficient, compared to OPM examining (including OPM training and oversight resources to provide assistance and maintain oversight of examining units).

--Agency personnel staff must be adequate to assure adherence to merit principles.

In addition, OPM's policy guidance states that, where cost effectiveness is the primary reason for delegating examining authority, shared examining responsibility should be considered in place of a delegation.

OPM's criteria and guidance do not take into account the improved timeliness, quality of applicants, and ability to hire qualified minority candidates. Further, the guidance, although stating that costs should be considered, does not identify what specific costs should be considered and how they should be compared.

The Staffing Services Division and regional offices acknowledge that the cost information they collect from agencies has not been reliable and, as a result, generally has not been used. OPM obtains a single cost figure for each examining unit, but OPM officials are not certain what examination-related costs are included in the figure. OPM officials said that agencies generally report lower costs than OPM. OPM has not followed up with agencies, however, to assure that agencies are reporting appropriate and accurate cost information.

CONCLUSIONS

Agencies, for the most part, were highly satisfied with the results of their own examining both in terms of improved timeliness and the quality of hires. Neither our work nor OPM's audits have disclosed problems or abuses that warrant withdrawing examining authority.

Because of reductions in staff and office closings, OPM may not be able to perform the examining function as promptly as agencies have under delegated examining authority. Recentralizing examining may also result in a reoccurrence of the "quality of applicants problem" noted in studies leading to the Reform Act and a reduction in the ability of agencies to attract and hire qualified minorities.

In our opinion, current delegations should not be withdrawn unless specific abuses are identified or OPM can show that withdrawing the authority would be cost effective. OPM also needs to determine the specific factors that make agency examining successful and use these factors in deciding when to delegate examining authority. Further, OPM needs to assure itself that agencies are reporting accurate and appropriate costs in the detail OPM needs to determine the cost effectiveness of a particular delegated examining unit.

RECOMMENDATIONS

We recommend that the Director, OPM,

- not withdraw current delegated examining authority without first determining that an abuse exists or that OPM could provide timely examining in a more cost-effective manner,
- determine through analysis of audits and other OPM studies the factors that make delegations of examining authority successful in improving timeliness and quality of hires and use them along with cost information in deciding whether to approve future requests for delegated examining authority, and
- require agencies to report appropriate and accurate costs and followup during audits on the cost information so that OPM can determine cost effectiveness of delegations, compared to OPM examining.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on a draft of this report (see the enclosure), OPM agreed with our conclusions that the delegated examining program has worked well and that there have been few problems or abuses that warrant withdrawing examining authority. OPM stated, however, that the policy change was not based on any operational defects in the program but on a reevaluation of OPM's delegation authority under the law.

According to OPM, a number of examining authorities were delegated to agencies involving common positions that cannot be justified on cost grounds or as exceptional cases, such as the decision to delegate examining authority for positions at grade GS-9 and above on the grounds that positions at these grade levels were individually unique. OPM stated that such sweeping delegation of examining authority is not considered consistent with the law, the intent of the law, or the intent of the Congress.

To ascertain the authority of the Director, OPM, we asked our General Counsel to comment on the relevant section of the Civil Service Reform Act of 1978. According to our General Counsel, both the current policy and the previous broader interpretation of delegation authority are consistent with the statute. Although the decision on the extent of delegation is within the authority of the Director, OPM, the policy change is not required by the act. Absent any showing of problems or abuses or the fact that OPM could do the examining more efficiently, we believe the policy should not be changed.

OPM raised two additional points:

- Our draft referred to incomplete and inaccurate cost information and proposed that OPM provide agencies with better guidance on the cost information that should be reported. OPM responded that the guidance was adequate; however, agencies were not providing proper cost information. This report more specifically addresses the need for OPM to require accurate cost information and followup to insure that agencies comply with the guidance.
- Our draft stated that delegated examining accounted for 40 percent of fiscal year 1981 hires. The correct figure, based on additional information supplied by OPM, is 26 percent of fiscal year 1981 hires.

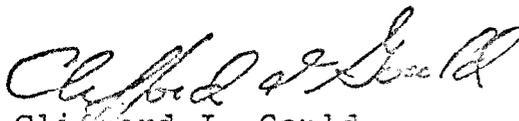
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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations. This written statement must be submitted to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report. A written statement must also be submitted to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to the House Subcommittee on Manpower and Housing and to other interested committees and subcommittees of the Congress.

We wish to thank you and your staff for the cooperation we received during this review.

Sincerely yours,


Clifford I. Gould
Director

Enclosure



United States
Office of
Personnel Management

Washington, D.C. 20415

In Reply Refer To

Your Reference

MAY 20 1982

Honorable Charles A. Bowsher
Comptroller General
General Accounting Office
Washington, DC 20548

Dear Mr. Bowsher:

We have reviewed your draft report on the Office of Personnel Management's (OPM) delegation of examining authority and have no argument with your conclusions that the delegated examining program has worked well to date and that there have been few problems or abuses that warrant withdrawing examining authority. However, we believe that the report should recognize that OPM's revised guidelines for the delegation of competitive examining authority to agencies were based on OPM's reevaluation of its delegation authority under the law and not on any operational defects in the program as originally implemented.

Title 5, USC, section 1104, expressly prohibits the Director of OPM from delegating "authority for competitive examinations with respect to positions that have requirements which are common to agencies in the Federal Government, other than in exceptional cases in which the interests of economy and efficiency require such delegation and in which such delegation will not weaken the application of the merit system principles." (emphasis added.) Previously, a number of examining authorities were delegated to agencies involving common positions that cannot be justified on cost grounds, nor as exceptional cases. Of particular concern was the decision to delegate examining authority for all positions at grades GS-9 and above on the grounds that each position at these grade levels was individually unique. Such sweeping delegation of examining authority was not consistent with the law, the intent of the law, or the intent of Congress.

OPM's new delegation criteria were designed to comply with the law insofar as it prohibits the delegation of examining authority for common positions, but allows exceptions only in exceptional cases where economy and efficiency require delegation. OPM will continue to delegate competitive examining authority for positions meeting the criteria.

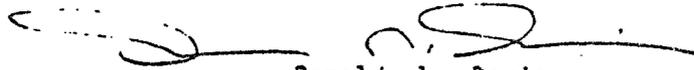
We believe that implementation of the criteria will not result in major withdrawals of examining authority. For instance, the criteria do not permit delegation of examining authority for mid-level and senior level (grades GS-9 through GS-15) positions which are common to agencies. But many agency positions in this grade range are unique to individual agencies and examining authority for those unique occupations will not be withdrawn.

The following comments relate to specific items in the report.

1. On page 4: The paraphrase of OPM's authority to delegate in the interest of economy and efficiency should include "exceptional cases" and "require" as they are important in interpreting this section of the act.
2. On page 4: In fiscal year 1981 31,666 of the hires were through delegated examinations and 88,632 of the hires were through OPM examinations. Therefore, 26 percent (not 40 percent) of the selections were through delegated examinations.
3. On page 10: The unreliability of agency cost information is due to the inaccuracy or omission of agency reports and not the lack of instructions as to what costs are included. A copy of OPM's instructions on workload and cost are enclosed. OPM's regional offices are continuing to work with agency examining units to improve the accuracy of their reports.

Thank you for the opportunity to offer our comments on this draft report.

Sincerely,



Donald J. Devine
Director

Enclosure

[See GAO note.]

GAO note: The enclosure is not included in this report.