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# **Division of Administration Pilot Employee Recognition Program**

Report No. OIG-AMR-71-14-01

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January 6, 2014

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**APPENDIX**

Memorandum from the Deputy General Counsel, Response to Draft Report “Division of Administration Pilot Employee Recognition Program (OIG-AMR-71), dated December 30, 2013

## **EXECUTIVE SUMMARY**

We initiated this audit of the Division of Administration's pilot Performance Management System after we received complaints from a Division of Administration manager alleging that the awards program was not properly managed, in that awards were made without obtaining the proper approval.

We found that the pilot Performance Management System's awards program lacked the internal controls to detect and prevent waste and abuse. There are no records for the approval of the pilot Performance Management System; the policies and procedures were not fully documented, approved, or followed; award items were misappropriated by staff; there was a lack of segregation of duties; and Office of Personnel Management regulations were not followed. The lack of internal controls resulted in gross mismanagement of the awards process during the pilot program and \$159,276.48 in questioned costs.

We also found that, in general, awards were not evenly distributed among the Division of Administration branches, in that the employees in the Office of the Director and the Budget and Human Resources Branches received, on average, more cash and time off awards than employees in the other branches. When we analyzed the timing of the cash and time off special act awards, we determined that the pilot's awards program did not meet its objective to shift the emphasis from annual performance ratings-based awards to what was described as a more fluid process in which achievements are recognized as they occur. In fact, 89 percent of the special act awards occurred within 3 months of the beginning or the end of the performance appraisal cycle.

Our report does not reach any particular findings regarding the cause of these failures of the pilot Performance Management System because we cannot determine with any degree of certainty whether it was the result of incompetence or malfeasance. There are certainly elements of both detailed in the report. We made five recommendations to correct issues that were identified during the audit and need to be remedied.

The Agency commented that they agreed with the recommendations and provided a description of the corrective action that has been implemented and its plans for further action. Additionally, the Agency stated that the Office of Human Resources has a dedicated newly-hired Human Resources Specialist (Performance Management) to manage the Performance Management System and Program and they are in the process of revising various performance management policies and processes. The Office of Human Resources is also developing tools and resources to ensure that all Agency employees have a Performance Plan in place. The comments are attached as an appendix.

## **BACKGROUND**

Chapter 45 of title 5, United States Code, authorizes agencies to pay cash and grant time off as awards to, and incur necessary expenses for the honorary recognition of, an employee or a group of employees. Under that authority and the implementing Office of Personnel Management (OPM) regulations, the National Labor Relations Board (NLRB or Agency) created, and OPM approved, an Agencywide performance management system with performance ratings-based upon a five-tier appraisal system. The policies and guidance for that system were promulgated through its Administrative Policies and Procedures Manual (APPM) Chapter PER-17, "NLRB Performance Appraisal System for GS- 1 Through GS- 15 (General Schedule) and Prevailing Rate Employees" dated April 1, 2004, as well as APPM Chapter PER-4, "Employee Recognition Program," dated May 19, 2011.

In July 2011, the Division of Administration (DOA) began a 1 year Performance Management System Pilot project to test a new Performance Management System. This pilot project covered all non-bargaining unit General Schedule (GS) and prevailing rate employees in DOA. The Performance Management System Pilot consisted of three components: Performance Planning and Appraisal; Awards and Recognition (Pilot Awards Program); and Training and Development. The stated purpose of the Pilot Awards Program was to honor and celebrate the noteworthy contributions by DOA employees throughout the year. It was DOA's intention to shift the emphasis from annual performance ratings-based awards to what is described as a more fluid process in which achievements are recognized as they occur. The Pilot Awards Program offered four categories of awards: Branch level; Division level; Annual Division-wide special awards; and Performance awards. Additionally, the Performance Management System Pilot had a three-tier performance ratings system rather than the five-tier system that is utilized by the Agency.

During the period of the Pilot Awards Program, DOA consisted of the Office of the Director of Administration; Acquisitions Management Branch; Budget Branch; Facilities and Properties Branch; Finance Branch; Human Resources Branch; Library and Administrative Services Branch; and

Security Branch. The Division had 119 non-Senior Executive Service (SES) employees, of which 23 were bargaining unit employees. Under the Pilot Awards Program, 103 DOA employees received a total of \$105,326 in cash awards, 857 hours of time off awards, 37 non-monetary awards (premiums), 16 gift cards, and 8 Quality Step Increases (QSI).

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objectives of the audit are to determine:

1. Whether the Pilot Awards Program met the regulatory requirements of an awards program;
2. If the written guidance implementing the Pilot Awards Program was properly approved and followed;
3. Whether any internal controls in the written guidance operated effectively;
4. The total amount of the awards and whether that was within limits set by the Office of Management and Budget and OPM;
5. The resources devoted to the implementation of the Pilot Awards Program and award ceremonies; and
6. If any employees received disparate treatment.

Our scope of this audit is the period that DOA conducted its Pilot Awards Program.

We reviewed Governmentwide laws, regulations, and policy documents related to awards programs. We also reviewed Agency policies and procedures and interviewed personnel from the Office of Human Resources' (formerly the Human Resources Branch) Performance Management Team to identify operating procedures. We offered the former Director, DOA, an opportunity to provide information, but she did not respond to our invitation. We compared the Agency policies and procedures with Code of Federal Regulations requirements, OPM policies, Government Accountability Office policies (GAO), and Office of Management and Budget policies.

We obtained documents related to the Pilot Awards Program from the beginning until the end of the program that were maintained by the Human Resources Branch. We also requested documentation related to the approval of the program from Agency officials. We reviewed the documentation related to the nomination, review, and approval process of awards awarded; the award recipient list; and the non-monetary award inventory list. We also reviewed personnel actions for cash and time off awards processed in the Federal Personnel/Payroll System (FPPS) for DOA employees during the period of the Pilot Awards Program.

We tested the awards to determine whether the nomination, review, and approval process occurred according to the Pilot Awards Program's guidelines. We evaluated whether the Pilot Awards Program had sufficient internal controls. We calculated the total award amounts. We analyzed the award amounts and trends for disparate treatment among employees and branches.

We conducted this performance audit in accordance with generally accepted government auditing standards during the period October 2012 through October 2013. 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.

### **Scope Limitation - Budgetary Controls**

Neither the Budget Branch nor the Office of Human Resources was able to provide documentation supporting how the monetary amounts for the pools for the cash awards were calculated. Because of the lack of documentation, we could not determine if DOA properly calculated the awards pool or if it exceeded the limits set by OPM.

## **FINDINGS**

We found that the Pilot Awards Program lacked the internal controls to detect and prevent waste and abuse. The lack of internal controls resulted in gross mismanagement of the

DOA awards process during the Pilot Awards Program and \$159,276.48 in questioned costs. The chart below summarizes the questioned costs findings.

<b>FY 2011</b>	
Lack of Budgetary Authority	\$37,901.00
No Nomination Forms	\$1,346.72
<b>FY 2012</b>	
No Nomination Forms	\$6,750.04
Not approved – Branch Level	\$789.12
Not properly approved – Division Level	\$66,628.56
Improper Ratings-based awards	\$45,861.04

We also found that, in general, awards were not evenly distributed among DOA employees, in that the employees in the Office of the Director and the Budget and Human Resources Branches received, on average, more cash and time off awards than employees in the other DOA branches. When we analyzed the timing of the cash and time off special act awards, we determined that the Pilot Awards Program did not meet its objective to shift the emphasis from annual performance ratings-based awards to what was described as a more fluid process in which achievements are recognized as they occur.

**INTERNAL CONTROLS**

Many of our audit reports discuss internal controls and assess whether the Agency has controls in place and the degree to which it has achieved compliance with such controls. One reason for this focus is that a positive control environment is the foundation for a well-managed program and is essential to ensure the proper stewardship of taxpayer funds. There are many factors in a well-controlled environment, including integrity and ethical values maintained and demonstrated by management and staff; management’s commitment to competence; management’s philosophy and operating style; the organizational structure, including the delegation of authority and responsibilities; good human capital policies and practices; and oversight. To maintain a positive control environment, management engages in control activities that include the policies, procedures, techniques, and mechanisms that enforce management’s directives. The control activities should occur

at all levels of the Agency and include a wide range of activities, including approvals, authorizations, verification, reconciliation, reviews, and the creation and maintenance of records.

From the initiation through the completion of the Pilot Awards Program, we found a program that lacked proper control activities. There are no records for the approval of the Pilot Awards Program; the policies and procedures were not fully documented, approved, or followed; award items were misappropriated by staff; there was a lack of segregation of duties; and the OPM regulations were not followed. We also determined that the lack of internal controls contributed to gross mismanagement of the Pilot Awards Program. The specific details of the individual findings are detailed below.

## **Planning and Policies**

### ***Approval for the Performance Management System Pilot and Closeout Records***

Transactions, including approvals, should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. Accurately and timely recording of transactions and events applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. This documentation should be clear and readily available for inspection. All documentation should be properly managed and maintained.

We found that there is no documentation of the Acting General Counsel's approval of the Performance Management System Pilot. We were told that the Deputy Director, DOA, met with the Acting General Counsel to describe the Performance Management System Pilot and asserted to him that "everyone" was on board with it, but there are no notes of this meeting, the Acting General Counsel was not presented with a decisional memorandum or any briefing materials, nor is there any documentation of the Acting General Counsel's decision. Without such documentation, it is not possible to determine the scope of the Performance Management System Pilot as it was presented to or approved by the Acting General Counsel.

We found no summary or closeout records for the Performance Management System Pilot. In response to our information requests, three employees in the Office of Human Resources provided documents, but those documents combined do not provide a sufficient summary record of the Performance Management System Pilot. Although we were also able to locate and retrieve documents and records from OCIO backups, we were not able to ascertain whether we compiled all of the records for the Performance Management System Pilot. This uncertainty is in part because we observed that a number of computer files and e-mail messages were deleted by former DOA management officials upon their departure from the Agency. We note that our efforts to complete this audit are not a substitute for having summary or closeout records.

### ***Recommendation***

1. We recommend that the Office of General Counsel develop a protocol for documenting the receipt, consideration, and approval of administrative policy decisions.

### ***OPM Approval of the Appraisal System***

An element of the Performance Management System Pilot was that non-bargaining unit employees in DOA received performance-based ratings on a three-tier appraisal system rather than the Agency's existing five-tier appraisal system.

The Agency's five-tier appraisal system was approved by OPM in 1986. In 1995, OPM amended its regulations to allow agencies the flexibility of operating with multiple appraisal systems. At that time, the Agency's appraisal system did not provide for any deviations from the rating of an employee based upon the five tiers. Because there was no preexisting flexibility in the Agency's OPM-approved appraisal system, the Agency was required, by 5 CFR 430.209, to request OPM's approval of any subsequent changes that modify the appraisal system. To facilitate those types of requests, OPM created Form OPM 1631. Neither the Agency nor OPM, however, has any records of the Agency requesting the approval of a flexible appraisal system or to otherwise deviate from the five-tier appraisal system that was approved in 1986. Because of the lack of OPM approval, the three-tier appraisal system was not a valid system of appraising employees or making ratings-based awards.

It is not apparent why the DOA failed to request approval from OPM for the three-tier appraisal system. On October 6, 2011, approximately 3 months after the Performance Management System Pilot began, the Director, DOA, was asked, in an e-mail message from the Executive Assistant to the Acting General Counsel, if OPM would approve a three-tier appraisal system. The Executive Assistant to the Acting General Counsel also stated that the Board attempted to deviate from the five-tier system and was told that OPM would not approve it. The Director, DOA, responded that she had interviewed thousands of applicants over the years and had seen every kind of appraisal system. The Director, DOA, also noted that they had a contractor who previously worked at OPM and had been responsible for performance management systems and that he and other Human Resources Branch staff researched that issue and assured her that it was an appropriate system. We could find no documentation of an attempt by the Director, DOA, to verify, at that time, that OPM reviewed and approved the three-tier performance appraisal system or to ascertain whether such approval was necessary.

In December 2012, approximately 5 months after the Performance Management System Pilot concluded, the Office of Human Resources sought clarification from OPM regarding the need for OPM's approval of the three-tier appraisal system. The clarification was sought at the request of one of the Agency's Special Counsels, who needed documentation of OPM's approval for an unrelated matter. At that time, the Office of Human Resources contacted OPM and was informed that the three-tier performance appraisal system was not approved. The contractor who had reportedly provided assurances that the three-tier performance appraisal system was an appropriate appraisal system was then contacted by the Office of Human Resources and asked about the need for OPM's approval. At that time, the contractor responded that he agreed that OPM should have approved the deviation from the Agency's OPM-approved five-tier appraisal system.

Given that the Director, DOA, was responsible for the Human Resources Branch at that time, she was specifically questioned about OPM's approval of the three-tier appraisal system, and the Agency was paying \$112 per hour for a contractor who was described as a former senior level OPM official who was responsible for performance management

programs, the failure of DOA to follow OPM's clearly stated regulatory requirements represents gross mismanagement.

We find that the 8 QSIs and the 384 hours of time off awards that were given as ratings-based performance awards under the unauthorized three-tier performance appraisal system were improper transactions that result in questioned costs. The value of the improper QSIs, based on the difference in pay for a period of a year, was \$28,726, and the value of the time off awards was \$17,135.04, for total questioned costs of \$45,861.04.

During the exit conference, the Chief Human Capital Officer stated that the Office of Human Resources has coordinated with OPM to seek guidance on what if any corrections are necessary to address the unauthorized rating system.

### ***Recommendation***

2. We recommend that the Office of Human Resources follow the guidance provided by OPM in taking corrective action regarding the unauthorized ratings system.

The Agency's response to the Draft Report states that action on this recommendation has been completed.

### ***Documentation and Approval of the Pilot Awards Program's Policy and Procedures***

Although we were told that the Director, DOA, approved the final version of the Pilot Awards Program's policy and procedures on September 14, 2011, in response to our document request, we were not provided with documentation of that approval other than a document circulated to DOA managers and supervisors that the Director, DOA, described as a "description of awards under the Employee Recognition Program." That document, however, did not cover all aspects of the Pilot Awards Program and did not establish written policies and procedures. We also found other documents that were circulated between the Human Resources Branch staff and the DOA management officials, including documentation of review by the Director, but the documentation lacked any evidence of approval. We observed that the policy documents continued to be edited through January 2012 - 6 months after the Pilot Awards Program began.

Because of the lack of approval documentation, we reviewed what appears to be the latest policy and procedures that were circulated in September 2011, memorandums to the DOA's managers and supervisors, and information that was posted on the NLRB's Intranet Web site that provided notice to DOA personnel regarding the Pilot Awards Program. As discussed in the next section, we found that this documentation was not sufficient to provide for adequate internal control. Because of the lack of documentation, we cannot determine with any degree of reliability whether the Pilot Awards Program met OPM's regulatory requirements.

## **Application of Internal Controls**

### ***Budgetary Controls and Segregation of Duties***

We found that DOA did not implement budgetary controls for the cash awards until July 12, 2012. At that time, the Director, DOA, sent an e-mail message to the Branch Chiefs directing them to provide information on the cash awards to a management official in her office so that the cash awards could be tracked and to ensure that DOA does not exceed its awards pool amount. This was 12 days after the Pilot Awards Program ended. By the time that the message was sent, \$37,908 in FY 2012 cash awards had been processed in FPPS.

We also determined that there was insufficient segregation of duties, in that the Director, DOA, had control over all aspects of the awards program. For five of the employees that received ratings-based awards, the Director, DOA, wrote the appraisal as the supervisor, reviewed the appraisal for technical accuracy as the Supervisory Review Board, and provided the final approval as the Performance Management Administrator. For the remaining 17 employees that received a ratings-based award, the Director, DOA, both reviewed the appraisal for technical accuracy as the Supervisory Review Board and approved the appraisal as the Performance Management Administrator. We are unaware of any reason why the Director, DOA, needed to retain such control of the ratings-based awards. For the other divisions that are under the Office of the General Counsel, these key duties are divided between the division and the Office of the General Counsel.

There were also segregation of duties issues with DOA's use of FY 2011 awards pool funds to award \$37,901 in individual and group special act cash awards after the Pilot Awards Program began. According to the Agency's APPM chapter on awards, the awards pools are authorized and funded in an amount that is determined by the Board and General Counsel. For FY 2011, the awards pools were available only for ratings-based performance awards. The Director, DOA, should have been aware that the Agency's awards program restricted the awards pool funds (referred to as PMS and PMRS Pools) to ratings-based awards because she signed the memorandum, dated December 13, 2010, setting out that restriction. The Director, DOA, should have also been aware of the Agency's APPM's provision that stated the limitations on the use of the PMS and PMRS Pools because that chapter is issued and maintained by DOA. Also the Director, DOA, stated in an e-mail message dated September 11, 2011, to the Deputy Director:

One thing that I noticed in the APPM which I hope will not cause trouble is that there is a limit of \$1,000 on special act awards at the division level. However, that is contained in an APPM that specifically calls for separate pools of money for different types of awards, e.g., performance, special act, on the spot, etc. The folks who drafted the APPM clearly envisioned not having to use their performance award money for special acts, etc., and envisioned having yet more money to have those awards in addition to performance awards. We, of course, are using special acts in lieu of performance awards and that was the basis for our pitch to [the Acting General Counsel], so I do not see a conflict. It would be ironic indeed if every other division is giving out \$3,000 performance awards AND \$1,000 special act awards without having to go to the GC for approval, but we would have to go to the GC for every special act award that exceeds \$1,000 and is in lieu of a performance award

In the notice about the Pilot Awards Program that was sent to the supervisors and managers on September 23, 2011, the Director, DOA, stated that:

I have decided to use the remaining FY 11 awards funds for the initial awards under the Employee Recognition Program. . . . Fortunately, because of the availability of a modest amount of remaining FY11 awards money and the fact that the pilot employee recognition program emphasizes the ongoing recognition of employees' contributions in a variety of ways, we are provided with a special opportunity to get the Division's Employee Recognition Program off to a strong start.

Our review of the FPPS records found that, prior to the September 23, 2011, notice to the DOA managers and supervisors, 53 special act awards were given to DOA employees that were not processed in accordance with the Pilot Awards Program's procedures. The 53 special act awards included 51 cash and 2 time off awards. The cash awards totaled \$37,151, and the time off awards totaled 16 hours. We included these awards as part of the Pilot Awards Program because the awards were processed in FPPS during the time period of the Pilot Awards Program. Also, but for the Pilot Awards Program, 10 of the 51 cash awards were in an amount that would have exceeded DOA's approval authority under the APPM and we were told by an Office of Human Resources official who was responsible for the Pilot Awards Program that all the awards beginning July 1, 2011, were under the Pilot Awards Program.

We were unable to find records to document the Board's or Acting General Counsel's approval of the use of FY 2011 PMS and PMRS awards pools for special act, group awards, or as part of the Pilot Awards Program. Without that approval, the use of FY 2011 awards pools for the special act and group cash awards was gross mismanagement evidenced by a wanton disregard for the authority of the Office of the General Counsel and the Board and was an *ultra vires* act by the Director, DOA. As such, the \$37,151 in special act cash awards that were given between July 1, 2011 and September 23, 2011 (the time before the Pilot Awards Program was announced to DOA managers), and the \$750 in special act cash awards that were given to DOA employees between September 24, 2011 and September 30, 2011, are questioned costs.

In addition to the issue of the authority to use the FY 2011 PMS and PMRS awards pools, the Director, DOA, appears to have given a group cash award of \$500 to all but two employees in the Human Resources Branch to boost morale rather than to reward the employees' performance. The total amount for the 26 award recipients was \$13,000. A review of the Human Resources Branch's documentation found that the group award was based on "Teamwork as New HR" and that there was no documentation supporting why the employees involved in the "New HR" had done anything to merit the award. We did find, however, a January 2012 e-mail message between the Director, DOA, and Deputy Director, DOA, in which the Director stated, in a proposal to rebut criticism of their management style:

I was also thinking of gathering relevant documents re the pilot and our telework activities as well as the awards sheet that shows the payouts. ***What is really ridiculous is that we paid out money to people to whom we would not have ordinarily done so (primarily in HR) just to boost morale – people who had been here less than a year, in addition to the \$500k for everyone for the New HR.*** (Errors are in the original) (Emphasis added)

There is no authority to grant an award to an employee, or a group of employees, to boost morale. The statutory and regulatory authority for awards to GS level employees is limited to rewarding the following:

- (1) A suggestion, invention, superior accomplishment, productivity gain, or other personal effort that contributes to the efficiency, economy, or other improvement of Government operations or achieves a significant reduction in paperwork;
- (2) A special act or service in the public interest in connection with or related to official employment; or
- (3) Performance as reflected in the employee's most recent rating of record, provided that the rating of record is at the fully successful level (or equivalent) or above.

Segregating the duties of processing the awards, as is the case for the other divisions of the Office of the General

Counsel, would minimize the risk of abuse of discretion that occurred with the use of the DOA's FY 2011 PMS and PMRS awards pool funds.

**Recommendation**

3. We recommend that DOA's Performance Management Administrator be an official in the Office of General Counsel.

**Eligibility for Awards**

We found that the information regarding eligibility for awards under the Pilot Awards Program was contradictory. A memorandum from the Director, DOA, to the Branch Chiefs in September 2011, stated that the Pilot Awards Program was primarily for non-bargaining unit employees, but that bargaining unit employees were eligible for recognition under the Pilot Awards Program. In contrast, the information about the Pilot Awards Program that was placed on the Agency's Intranet site to explain the program to DOA employees stated that all GS and prevailing rate employees in DOA who were not in the bargaining unit were covered by the Pilot Awards Program and that there were approximately 75 of those employees. The training material also stated that the Pilot Awards Program was for non-bargaining unit employees. When we interviewed Office of Human Resources' staff, they explained that bargaining unit employees and student employees could receive premiums and gift cards, but not monetary awards. Our review of the FPPS records found that both bargaining unit employees and students received cash and time off awards in addition to the gift cards and premiums.

<b>Award Type</b>	<b>Student Employees Receiving Awards</b>	<b>Bargaining Unit Employees Receiving Awards</b>
Cash	1	17
Time Off	1	12
Gift Card	1	1
Premium	0	2

**Nomination Forms**

The Pilot Awards Program categorized awards as either Branch or Division level awards. The Branch level awards

could be up to \$250 or 8 hours time off. Except for the ratings-based awards, the Pilot Awards Program required that all awards be processed by a nomination form.

The Pilot Awards Program ran from July 1, 2011 to June 30, 2012. Based upon the records in FPPS, we determined that there were 179 cash and time off awards that should have been processed via a nomination form. Those awards were comprised of 69 Branch level and 110 Division level awards. For the Branch level awards, 41 were time off awards and 28 were cash awards. For the Division level awards, 9 were time off awards and 101 were cash awards.

The Office of Human Resources provided the OIG with copies of 133 nomination forms. Our review of the nomination forms found that a nomination form could be used to nominate a single employee or a group of employees. We observed that nomination forms were also used to nominate employees for premium and gift card awards.

We found that there were 71 nomination forms for cash and time off awards. We compared those forms to the FPPS records. The chart provides the distribution of the FPPS awards by type and whether there was a nomination form.

	<b>Cash</b>		<b>Time Off</b>		<b>Total</b>
	<b>Amount</b>	<b>No.</b>	<b>Amount</b>	<b>No.</b>	<b>No. of Awards</b>
Awards processed with nomination forms	\$64,350	71	345 hrs	35	106
Awards processed without nomination forms	\$40,976	58	128 hrs	15	73

Because the justifications for the awards without nomination forms were not documented, those awards are questioned costs. Of the \$40,976 in cash awards processed without a nomination form, \$37,651 were previously found to be questioned costs because of the improper use of FY 2011 funds for those awards. The remaining \$3,325 are additional questioned costs of FY 2012 funds. The amount of questioned costs for the time off awards is \$4,771.76. The total questioned costs that are related solely to the lack of a nomination form are \$8,096.76.

We also determined that only 29 of the 71 nomination forms for cash and time off special act awards were processed in

accordance with the procedures that were stated on the nomination form.

For the Branch level awards, the Branch Chief was the approval authority. The supervisor's concurrence was also necessary if the award was nominated by someone other than a supervisor or Branch Chief. We found that for the Branch level award to employees, two nomination forms that were initiated by a supervisor did not have documentation of the Branch Chief's approval and one nomination form did not have documentation of either the supervisor's concurrence or the Branch Chief's approval. Because of the lack of the Branch Chief's approval, these three awards are questioned costs. The amount of the questioned costs is \$789.12.

The Division level awards required concurrence by the Branch Chief and review and approval by a review panel, composed of three DOA managers, and the Director, DOA. Based upon our review of the nomination forms for the Division level cash and time off awards, we determined that none of the Division awards were properly processed. Therefore, all of the Division level awards are questioned costs. The amount of the questioned costs for the Division level awards is \$66,628.56. The chart below provides the number of discrepancies that we found.

Total Division level awards	60
Review panel approval not documented	7
Disapproved by review panel, but awarded	1
Concurrence by Branch Chief not documented	15
Approval by Director not documented	59

We also found that the review panel's recommendations were not followed for 21 Division Level awards – 10 cash awards were in an amount that was lower, 4 were in an amount that was higher, and 7 time-off awards were converted to egg-shaped crystals. We could not find any documentation that explained why the review panel's recommendation was not followed or who approved the deviation from the recommendation. We also found that the review panel approved two awards for employees but neither the nomination form nor the review panel's recommendation listed the award. The two employees each received a pen set.

In addition to the issues of the lack of proper documentation supporting the awards, we determined that one panel member, now a former employee, signed as a reviewing official on his or her own award, an apparent violation of the Office of Government Ethics regulations. We also found that the former Deputy Director, DOA, submitted four nomination forms after she left the Agency. Three of those nominations were then processed and approved.

We also reviewed all nomination forms to determine whether the nomination was initiated by an appropriate nominating official and whether that official signed the form. The chart below details our findings.

	<b>Yes</b>	<b>No</b>	<b>Cannot Determine</b>	<b>Total</b>
Nominated by the Appropriate Official	127	5	1	133
Signed by the Nominating Official	120	13	0	133

In addition to the nomination forms not being completed properly, we found that 15 nomination forms were not processed at all. The chart below shows the distribution, by branch, of the unprocessed nomination forms.

<b>Branch</b>	<b>Total</b>
Acquisitions Management	1
Facilities and Property	5
Finance	2
Human Resources	1
Library and Administrative Services	6

### **Gift Cards**

There was a lack of control over gift card awards. There was no documentation of the approval to acquire the gift cards; there was no guidance in any written documentation that created a segregation of duties between acquiring, maintaining, issuing, and reconciling the gift card inventory; there were no written procedures for safeguarding the gift cards against theft or loss; and there were no procedures for obtaining acknowledgement by an employee that he or she received a gift card as an award.

The gift cards were purchased at a local drugstore with a purchase card by the employee who was responsible for

maintaining the inventory of gift cards. We could find no records that the transaction was reviewed by the employee’s supervisor or manager, as required by the Agency’s purchase card procedures. After we observed that the purchase of gift cards was split into two transactions within minutes of each other, we requested that the drugstore’s legal department review the transaction. They noted that there was a 10 card per transaction limit and that a customer would be prevented from purchasing 18 gift cards in one transaction.

The controls that were in place, a tracking log and nomination forms, could not be reconciled against one another. We observed that the draft of the gift card tracking log that was provided to the Executive Assistant to the Acting General Counsel had spaces to collect information regarding the date that the card was issued and a signature by the Branch Chief or Supervisor who awarded the card. That draft log, however, was not used and the log sheet that was used did not collect that information. When we compared the gift card log to a document that was titled “Final Awards List,” we observed that the names could not be reconciled. We also found that the recipients listed on Final Awards List and the gift card log could not be reconciled with the nomination forms. Based on the information in the documents, it appeared that, although 18 gift cards were purchased, 25 gift cards were awarded and 1 was missing.

To address these discrepancies, we contacted the employees who were identified as receiving a gift card and asked the employee if he or she recalled receiving a gift card. By doing so, we verified that 15 gift cards were awarded and 2 gift cards were missing. One employee did not respond. The table below details our findings.

<b>Type of Record</b>	<b>Received</b>	<b>Did not Receive</b>	<b>No Response</b>	<b>Total</b>
Employee listed as receiving on both Gift Card Log and Final Award list	8	2	1	11
Employee listed only on the Gift Card Log	4	2	0	6
Employee listed only on Final Award List	0	5	0	5
Employee on Nomination form, but not on any log or list	3	0	0	3

Although DOA was instructed by Agency counsel that the employees who receive gift cards are responsible for the tax obligations, we found that there were no procedures for reporting the issuance of a gift card award to the Finance Branch so that the income would be reported, along with the employee's other earnings, to the Internal Revenue Service and taxes withheld, in accordance with its regulations.

### ***Premiums***

We observed that, during the Pilot Awards Program, DOA employees received non-monetary awards, including star paper weights, egg-shaped crystals, and pen sets. We refer to these types of awards as "premiums." The documentation for the Pilot Awards Program was silent on the criteria for making such awards or any internal controls related to premiums as an award. The records that were provided to us that were related to the premium awards were the Final Awards List, the nomination forms, and a memorandum addressed to a trophy shop that purports to be an order for the premiums. We found no records indicating that there was any attempt to maintain control over the inventory of the premiums or the approval of the amount to be spent on them.

When we compared the nomination forms to the Final Awards List, we determined that each of the awards on the list had a corresponding nomination form. We also found, however, that two premium awards with nomination forms were not on the Final Awards List, and that nine premium awards were given to employees without a nomination form. Using this information, we determined the number of premium awards that DOA should have had on hand and conducted an inventory. The chart below details our findings.

<b>Premium</b>	<b>Purchased</b>	<b>Premiums on Final Awards List and Nomination Forms</b>	<b>Found During OIG Inventory in Agency Storage</b>	<b>Found during OIG Inventory with Employees who Received it as an Award</b>	<b>Found during OIG Inventory with Employee who did not Receive it as an Award</b>	<b>Missing</b>
Egg-shaped Crystals	30	13	7	3	0	7
Gold Star	10	6	1	2	1	0
Desk Pen Set	15	2	0	6	2	5
Polished Metal Gold Tone Star	1	0	0	0	0	1
<b>Total</b>	<b>56</b>	<b>21</b>	<b>8</b>	<b>11</b>	<b>3</b>	<b>13</b>

For the awards that were found with employees who did not receive it as an award, one of the pen sets was taken by an employee and used in the office after the pilot program ended, and another pen set was found on the desk of a former employee who was not listed as receiving it as an award.

As part of our inventory, we made several requests to the DOA's current Branch Chiefs to look for any premiums that were not awarded and had been stored in the office space of the branch. The purpose of these requests was to ensure that we had exhausted all means of locating the missing premiums. During that process we were informed that a gold star that had been taken by a former employee as an example of a premium award was returned and had been placed back with the remaining inventory of premiums. We also learned that the former employee did not notify anyone other than a subordinate that the premium was being taken. In total, the value of the missing premium awards is \$686.60.

### ***Performance Plans***

Employees are required to have a performance plan and employees cannot be appraised unless they have been provided with a properly executed performance plan. OPM regulations state that normally the performance plan should be provided to the employee within 30 days of the beginning of the appraisal period. An appraisal is then based upon the employee's actual performance as measured against the performance plan.

For the 119 non-SES employees in DOA during the Performance Management System Pilot, we found that 65 had properly completed performance plans. We also found that there was no performance plan for 29 employees. That group of employees included 20 employees who should have received a performance appraisal during the period of the pilot and 9 employees who would not have received a performance appraisal during the pilot (8 students and one employee who separated 2 days after the pilot began). For the remaining 25 employees, the performance plans were not properly executed.

The chart below provides the detailed information:

	<b>Bargaining Unit Employees</b>	<b>Non-Bargaining Unit Employees</b>	<b>Total</b>
Not signed by Employee	2	0	2
Not signed by Reviewing Official and/or Appraising Official	3	5	8
Not signed by all three	14	1	15
Total	19	6	25

***Recommendation***

4. We recommend that the Office of Human Resources review its records and ensure that all employees have a properly executed performance plan.

***Awards Based Upon Performance Ratings***

While conducting this testing, we found that the Office of Human Resources had not properly maintained copies of DOA employee appraisals for the time during the Performance Management System Pilot. To conduct our testing, we retrieved the appraisals from the forms processing system that was used to process the appraisal forms.

Under the Performance Management System Pilot, an employee must have had a rating of “Exceptional Contribution” to be eligible to receive a ratings-based award. Our review of FPPS records found that 8 QSIs and 14 time off awards totaling 384 hours were given as ratings-based awards. The employees who received the QSIs were all rated

“Exceptional Contribution.” For the time off ratings-based awards, only 9 of the 14 employees received a rating of “Exceptional Contribution.” After the pilot ended, one of the employees who received a time off award was given a corrected appraisal that changed the rating from “Valuable Contribution” to “Exceptional Contribution.”

## **SPECIAL ACT AWARDS JUSTIFICATION**

As stated above, the statutory criteria for a special act award provides that the Agency may give an award to an employee who “performs a special act or service in the public interest in connection with or relation to his official employment.” The guidance for the Pilot Awards Program states that a special act award is “based on a significant non-recurring contribution which may be within or outside of normal job responsibilities; a significant achievement; or act of heroism.”

During the Pilot Awards Program, there were 110 Division level special act awards, 101 of which were cash awards and 9 were time off awards.

We question the appropriateness of 42 special act awards that were made during the period of the Pilot Awards Program. For six special act awards, totaling \$6,088, there was no documentation stating what special act the employee performed. Without that documentation, there is no basis to make the award and the award is considered a questioned cost. (The amount of these questioned costs is included in the category of questioned costs for the Division level awards that lacked documentation of proper approval.) For the remaining 36 special act awards we determined that the approving official abused his or her discretion in making the award. The following is the basis for our determination:

- All but two Human Resources Branch employees received a \$500 special act award for what was described as “Teamwork as New HR.” In addition to the abuse of discretion in using award funds to boost morale rather than to reward a special act, as discussed above, the awards were made only 3 months after the New HR initiative started. In other words, 26 employees in DOA’s largest branch were given an

award for performing their official duties better in a program that had not been in place long enough to evaluate whether it was successful;

- A Branch Chief received a \$1,500 special act award in August 2011 for “work on preparation for the appropriation hearing in April 2011.” The hearing was in the 2011 appraisal period and was approximately 3 months prior to the initiation of the Pilot Awards Program. The Branch Chief also received a QSI for the work that was completed in the 2011 appraisal period. There is nothing in the awards justification to indicate that the preparation for the hearing was any different from prior years’ preparation. Nothing in the documentation makes it apparent that the work by the Branch Chief was a “significant non-recurring contribution;”
- An employee in the Director’s Office received a \$1,500 special act award in August 2011 for work that was described as “ensuring fulfillment of executive orders and leading the preparation of reports.” The employee then received a \$2,500 special act award in May 2012 for “assuming the responsibility for the analysis and response to all executive orders and other initiatives and requirements emanating from the White House and other external sources.” It is not clear how the employee could have assumed duties in 2012 that the employee also performed in 2011. Also, because the acts are the same and are ongoing, they appear to not meet the requirement of being a “significant non-recurring contribution;”
- In August 2011, a Branch Chief received a \$1,500 special act award “in recognition of implementing electronic processes and systems” for the Branch. In May 2012, the Branch Chief received a second special act award for \$2,500. The justification for the second award was written in a manner that makes it appear that the implementation of electronic processes and systems was the primary basis for the award. As such, the Branch Chief appears to have received two awards for performing same act and the award cannot meet the requirement of being a “significant non-recurring contribution;”

- A Human Resources Branch employee received a \$1,500 special act award. The justification was for “Transit IG Work.” There is no further documentation explaining what the employee did. Our knowledge of this employee’s work was that the employee read a draft inspection report and contacted the auditor to ask questions about the inspection report before it was issued in final. This work also occurred during the 2011 appraisal period;
- Two employees in the Budget Branch received special act awards totaling \$3,500 for performing their normal and recurring duties. One received a \$1,500 award because the employee “did a particularly good job executing the budgets for [his or her] accounts, particularly in projecting the salaries and benefits.” The other received \$2,000 because the employee was “instrumental in conducting the 3<sup>rd</sup> quarter budget reviews of [his or her] accounts.” Based on these descriptions, they do not meet the requirement of being a “significant non-recurring contribution;”
- A Security Branch employee received a \$625 special act award. The justification was for “performance as personnel security specialist;” and
- An employee in the Acquisitions Management Branch received a time off award of 9 hours for his or her “interactions with customers” and being “the face of the Purchase Card program.”

## **TIMING OF THE AWARDS AND CEREMONIES**

One of the stated purposes of the Pilot Awards Program was to reward employees’ performance throughout the year and to make a shift away from the annual rating-based awards at the end of performance review cycle. The Pilot Awards Program was intended to be a fluid process that would honor and celebrate the noteworthy contributions by DOA employees throughout the year.

The Pilot Awards Program was also intended to publicly acknowledge employee performance through a series of award ceremonies. To effectuate that purpose, award

ceremonies were conducted at the end of each quarter of the Pilot Awards Program. Three of the ceremonies were identified by the quarter of the fiscal year that they related to and the last award ceremony was identified as the “final awards ceremony.”

To determine if the Pilot Awards Program met its objective of distributing the awards throughout the year, we analyzed the distribution of the special act awards throughout the Pilot Awards Program. Because we had found that the nomination forms and awards lists were not reliable, we relied upon the effective date for the award that was documented in FPPS to determine when the award was made. The chart below shows the distribution of awards by quarter:

<b>Ceremony</b>	<b>Number of Awards Processed in FPPS</b>
Fourth Quarter (July through September 2011)	61
First Quarter (October through December 2011)	4
Second Quarter (January through March 2012)	15
Final Awards Ceremony (April through June 2012)	99

We also observed that a number of premium and gift card awards were given to DOA employees from October 2011 through June 2012. We cannot, however, rely on the records that have been provided to the OIG to determine the rate or frequency of those awards.

Although there appears to be two large groups of special act awards, one at the beginning and one at the end of the program, further examination of the distribution of the awards shows that the Pilot Awards Program failed to meet the objective of providing recognition of worthy performance throughout the program. For the first group of awards, July through September 2011, 53 awards (51 cash and 2 time off) were processed prior to the announcement of the Pilot Awards Program to the DOA employees and included justifications based on acts occurring in the prior performance period. As discussed earlier, those awards did not go through the nomination and review process, and it also appears that those awards were never intended to be acknowledged as part of the Pilot Awards Program. If those awards are excluded from the distribution, 21 percent of the

awards were made during the first three quarters of the Pilot Awards Program and 79 percent of the awards were made during the final quarter. If the 53 awards are included in the analysis, then 89 percent of the awards that were made during the Pilot Awards Program occurred within 3 months of the beginning or the end of a performance appraisal cycle. Further analysis of the awards made during the final quarter showed that 60 percent of those awards were effective after the Pilot Award Program ended. Overall, it appears that there were relatively few special act awards to be announced or presented during the first three award ceremonies, as compared to the final awards ceremony that coincided with the end of the performance cycle.

The statute authorizing awards for employees has been interpreted to also authorize the use of appropriated funds for award ceremonies as a “necessary expense for the honorary recognition of” the employee who receives an award. The necessary expenses may include refreshments for the ceremony’s attendees. GAO decisions, however, emphasize that the purpose of the ceremony is to foster public recognition of the employees, rather than provide food to the award recipients. For the first three ceremonies, we were unable to find any records that document the use of appropriated funds for refreshments. Although it appears that there was a modest amount of refreshments at the ceremonies, the e-mail messages that were provided to the OIG in response to the document requests show that the Director, DOA, personally reimbursed DOA employees who had used their personal funds to buy the refreshments. For the final awards ceremony, we found documentation that DOA used \$902.74 in appropriated funds to purchase refreshments. We found that this amount is well within the guidelines that are discussed in the GAO decisions. It also appears that the program itself was designed to encourage attendance at the presentation of the awards, rather than just at the refreshment part of the ceremony.

We also observed that the Director, DOA, played an integral role in planning the details of the awards ceremony. From the seating plan, to the theme music for the presenters, to what the student interns would wear as ushers, the Director, DOA, managed what was to be done. Also, except for the absence of Agency criteria and the lack of approval by the Office of the General Counsel for the use of appropriated funds for the final awards ceremony, the planning of the

final awards ceremony was well-documented and the documentation was available for our review as part of the audit process. While we do not question whether the final awards ceremony was a proper use of appropriated funds or the role of the Director, DOA, in the planning and execution of the ceremony, we note it in contrast to the lack of documentation and control in the planning and execution of the Performance Management System Pilot.

**Recommendation**

5. We recommend that the Office of Human Resources establish criteria for when appropriated funds may be used for award ceremonies and that the criteria include a means to determine the amount of funds that may be used.

**STATISTICAL ANALYSIS**

We reviewed the nominations and awards to determine a variety of statistics to show the distribution of the non-ratings-based awards and to determine if there was any disparate impact. For the purpose of this analysis, we included all of the non-ratings-based awards given to DOA employees.

**Distribution of Awards to Employees**

During the period of the Pilot Awards Programs, DOA had 119 non-SES employees. Those employees can be grouped in the following categories:

<b>Employee Status</b>	<b>Bargaining</b>	<b>Non-Bargaining</b>	<b>Total</b>
Employed During Entire Pilot Period	22	60	82
Separated	0	16	16
Hired	1	8	9
Hired and then Separated	0	1	1
Transferred	0	1	1
Students	0	8	8
Student to Pathways	0	2	2

The employees in DOA received a total of 234 non-ratings-based awards. The distribution of the awards is shown in the following tables.

<b>Award Type</b>	<b>Number of Award Recipients</b>	<b>Number of Awards</b>	<b>Award Amount</b>
Cash Awards	84	129	\$105,326
Time Off Awards	42	50	473 hrs
Premiums	26	37	37
Gift Cards	14	16	16
Spotlight (All Aboard Article)	2	2	2

	<b>One Award</b>	<b>Two Awards</b>	<b>Three Awards</b>	<b>More than Three Awards</b>	<b>Total</b>
Number of Employees	40	27	14	21	102

We noted the following observations:

- Fifty-three employees received awards in multiple quarters;
- Thirty-six employees received multiple awards in the same quarter;
- Two employees received only a gift card as an award – both in the same branch;
- Three employees, including one Branch Chief, received only a premium as an award; and
- Three of the 17 employees who did not receive an award worked for the entire period of the Pilot Awards Program. One of the 3 employees received a ratings-based award.

### ***Separated Employees***

Ten of the employees who separated during the Pilot Awards Program received an award and seven did not. The table below shows the length of time that the separated employees worked during the Pilot Awards Program as compared to receiving an award:

	<b>Less than 30 Days</b>	<b>Between 30-90 Days</b>	<b>Between 90-120 Days</b>	<b>Between 120-180 Days</b>	<b>Between 180-270 Days</b>	<b>More than 270 Days</b>
Received Award	0	0	0	1	4	5
Did Not Receive Award	2	0	2	1	1	1

We noted that 8 of the 10 separated employees who received an award during the Pilot Awards Program were from the Human Resources Branch, and one of those employees received an 8 hour time off award 10 days prior to separating.

### ***Newly Hired Employees***

Each of the nine employees who were hired during the Pilot Awards Program received an award. The table below shows the length of time the newly hired employee served prior to receiving the award:

	<b>Less than 30 Days</b>	<b>Within 30-90 Days</b>	<b>Within 90-120 Days</b>	<b>Within 120-180 Days</b>	<b>Within 180-270 Days</b>	<b>More than 270 Days</b>
Number of Employees	0	3	2	1	2	1

### ***Transferred Employee***

One employee who transferred from DOA to another division worked for almost 9 months in DOA during the Pilot Awards Program. The transferred employee did not receive an award.

### ***Student Employees***

Two students received awards. One student received a special act cash award and a gift card. The other student received a special act award of 8 hours time off. The remaining six students did not receive any awards.

### ***Distribution of Awards by Grade***

We generally found that employees in the grades of GS-11 and below were on average more likely to receive a cash or time off award, but the average amount of the awards was generally smaller than for the higher grades.

Type of Award	GS-11 and below -- 56 Employees During the Pilot Awards Program						
	Number of Award Recipients	Percent of GS-11 and below who Received an Award	Total Number of Awards	Percent of Total Number of Awards	Total Amount of Awards	Percent of Total Amount of Awards	Average Award Amount per Recipient
Cash (\$)	39	46	52	40	23,722	23	608.26
Time Off (Hrs)	27	64	28	56	221	47	8.19
Premiums	12	46	17	46			
Gift Cards	2	14	2	13			

Type of Award	GS-12 & GS-13 -- 33 Employees During the Pilot Awards Program						
	Number of Award Recipients	Percent of GS 12-13 who Received an Award	Total Number of Awards	Percent Total Number of Awards	Total Amount of Awards	Percent of Total Amount of Awards	Average Award Amount per Recipient
Cash (\$)	25	30	40	31	35,204	33	1,408.16
Time Off (Hrs)	10	24	16	32	156	33	15.60
Premiums	5	19	8	22			
Gift Cards	9	64	11	69			

Type of Award	GS-14 & GS-15 -- 30 Employees During the Pilot Awards Program						
	Number of Award Recipients	Percent of GS 14-15 who Received an Award	Total Number of Awards	Percent Total Number of Awards	Total Amount of Awards	Percent of Total Amount of Awards	Average Award Amount per Recipient
Cash (\$)	20	24	37	29	46,400	44	2,320.00
Time Off (Hrs)	5	12	6	12	96	20	19.20
Premiums	9	35	12	32			
Gift Cards	3	21	3	19			

### Distribution of Awards by Branch

We conducted additional analysis to determine how the distribution of awards compared to the distribution of employees by branch. Based on this comparison, we found that the employees in the Office of the Director and the Budget and Human Resources Branches, on average, received more cash and time off awards, and that the award amounts were generally greater than the employees in other branches received. In contrast, employees in the Library and Administrative Services Branch, on average, received fewer

cash and time off awards, and the cash awards were generally less than in the other branches. As previously discussed on page 17, we also observed that the Library and Administrative Services and Facilities and Property Branches had greater number of nomination forms that were not processed. Although, the Security Branch had the most awards per employee, the Security Branch had more premium awards per employee than any of the other branches. The following tables provide statistical summary information.

Branch	Award Type				Total Award	Total Recipient	Average Award per Recipient
	Cash	Time Off	Premium	Gift Card			
Acquisitions Management	5	4	0	2	11	7	1.57
Budget	5	6	0	4	15	4	3.75
Facilities and Property	14	0	5	2	21	11	1.91
Finance	17	6	1	1	25	15	1.67
Human Resources	50	17	9	2	78	30	2.60
Library and Administrative Services	23	9	3	4	39	22	1.77
Office of the Director	3	2	2	0	7	4	1.75
Security	12	6	17	1	36	9	4.00
<b>Total</b>	<b>129</b>	<b>50</b>	<b>37</b>	<b>16</b>	<b>232</b>	<b>102</b>	<b>2.27</b>

Branch	Number of Employees	Number of Nominated Awards	Awards nominated by Nomination Forms								Awarded without Nomination
			Approved		Disapproved		Approved but not Awarded		Nominations not Processed		
Acquisitions Management	8	18	11	61.1%	6*	33.3%	0	0.0%	1	5.6%	0
Budget	5	10	10	100.0%	0	0.0%	0	0.0%	0	0.0%	5
Facilities and Property	15	25	17	68.0%	2	8.0%	1	4.0%	5	20.0%	5
Finance	19	21	18	85.7%	0	0.0%	1	4.8%	2	9.5%	8
Human Resources	32	40	32	80.0%	5*	12.5%	2	5.0%	1	2.5%	46
Library and Administrative Services	25	39	32	82.1%	0	0.0%	1	2.6%	6	15.4%	7
Office of the Director	4	6	6	100.0%	0	0.0%	0	0.0%	0	0.0%	1
Security	11	26	25	96.2%	1	3.8%	0	0.0%	0	0.0%	11

\* Acquisitions Management Branch and Human Resources Branch each had nominations that were not approved. One nomination from Acquisitions

Management Branch was a group award for five employees and one nomination from Human Resources Branch was a group award for four employees.

### ***Cash Awards***

<b>Branch</b>	<b>Cash Award Amount</b>	<b>Branch's Percent of Cash Awards</b>	<b>Number of Cash Award Recipients</b>	<b>Branch's Percent of Cash Award Recipients</b>	<b>Branch's Percent of Employees</b>
Acquisitions Management	5,600	5.32	4	4.76	6.72
Budget	6,350	6.03	3	3.57	4.20
Facilities and Property	14,000	13.29	10	11.90	12.61
Finance	10,500	9.97	12	14.29	15.97
Human Resources	38,076	36.15	27	32.14	26.89
Library and Administrative Services	14,600	13.86	18	21.43	21.01
Office of the Director	6,500	6.17	2	2.38	3.36
Security	9,700	9.21	8	9.52	9.24
Total	105,326	100.00	84	100.00	100.00

### ***Time Off Awards***

<b>Branch</b>	<b>Time Off Award Hours</b>	<b>Branch's Percent of Time Off Awards</b>	<b>Number of Time Off Award Recipients</b>	<b>Branch's Percent of Time Off Award Recipients</b>	<b>Branch's Percent of Employees</b>
Acquisitions Management	41	8.67	4	9.52	6.72
Budget	48	10.15	3	7.14	4.20
Facilities and Property	0	0.00	0	0.00	12.61
Finance	48	10.15	6	14.29	15.97
Human Resources	168	35.52	14	33.33	26.89
Library and Administrative Services	80	16.91	8	19.05	21.01
Office of the Director	40	8.46	1	2.38	3.36
Security	48	10.15	6	14.29	9.24
Total	473	100.00	42	100.00	100.00

**Premium Awards**

<b>Branch</b>	<b>Premium Awards</b>	<b>Branch's Percent of Premium Awards</b>	<b>Number of Premium Award Recipients</b>	<b>Branch's Percent of Premium Award Recipients</b>	<b>Branch's Percent of Employees</b>
Acquisitions Management	0	0.00	0	0.00	6.72
Budget	0	0.00	0	0.00	4.20
Facilities and Property	5	13.51	4	15.38	12.61
Finance	1	2.70	1	3.85	15.97
Human Resources	9	24.32	8	30.77	26.89
Library and Administrative Services	3	8.11	3	11.54	21.01
Office of the Director	2	5.41	2	7.69	3.36
Security	17	45.95	8	30.77	9.24
Total	37	100.00	26	100.00	100.00

**Gift Card Awards**

<b>Branch</b>	<b>Gift Card Awards</b>	<b>Branch's Percent of Gift Card Awards</b>	<b>Number of Gift Card Award Recipients</b>	<b>Branch's Percent of Gift Card Award Recipients</b>	<b>Branch's Percent of Employees</b>
Acquisitions Management	2	12.50	1	7.14	6.72
Budget	4	25.00	3	21.43	4.20
Facilities and Property	2	12.50	2	14.29	12.61
Finance	1	6.25	1	7.14	15.97
Human Resources	2	12.50	2	14.29	26.89
Library and Administrative Services	4	25.00	4	28.57	21.01
Office of the Director	0	0.00	0	0.00	3.36
Security	1	6.25	1	7.14	9.24
Total	16	100.00	14	100.00	100.00

## Distribution of Awards by Employee Category

Category	Employees		Awards Received		Award Recipients		Cash Awards	Amount of Cash Awards	Time Off Awards	Hours of Time Off Awards	Premium and Gift Cards
Bargaining Unit	23	19%	34	15%	23	23%	19	\$8,050	12	89	3
Non-Bargaining Unit	72	60%	150	65%	60	59%	76	\$60,076	33	312	41
Supervisors	15	13%	34	15%	12	12%	22	\$21,150	5	72	7
Branch Chief	9	8%	14	6%	7	7%	12	\$16,050	0	0	2

## **APPENDIX**

UNITED STATES GOVERNMENT  
National Labor Relations Board  
Division of Administration



## Memorandum

TO: David Berry  
Inspector General

FROM: Jennifer Abruzzo  
Deputy General Counsel

DATE: December 30, 2013

SUBJECT: Response to Draft Report "Division of Administration Pilot Employee Recognition Program (OIG-AMR-71)"

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This memorandum is in response to the Office of Inspector General's (OIG's) December 3, 2013 audit, entitled Draft Report "Division of Administration Pilot Employee Recognition Program (OIG-AMR-71)". The Office of General Counsel (OGC) appreciates the OIG's efforts in reviewing this pilot program.

Below are specific responses to each of the OIG's recommendations:

**OIG Recommendation 1:** We recommend that the OGC develop a protocol for documenting the receipt, consideration, and approval of administration policy decisions.

**Response:** *It is expected that the selection of the new Director of Administration will ensure that administrative policy decisions are effectuated in an appropriate and accountable manner. We are reviewing different protocols from several regulatory agencies to determine an optimum and efficient processes. Our timeline for completion of the review is January 30, 2014. We will then compare those results to our existing processes and determine the most feasible and accountable ones to undertake.*

**OIG Recommendation 2:** We recommend that the Office of Human Resources follow the guidance provided by OPM in taking corrective action, if necessary, regarding the unauthorized rating system.

**Response:** *On November 18<sup>th</sup>, the Office of Human Resources (OHR) consulted with the Office of Personal Management (OPM) and was advised that a corrective action would be needed if there was an adverse action, i.e. removal or performance improvement plan (PIP) executed on a NLRB employee using the Division of Administration (DOA) Pilot Performance Management System. We then reviewed our records and found that, during the existence of the pilot, one employee was in the process of receiving a PIP, but the plan was rescinded. There were no other adverse actions reported.*

*OPM further advised that it is within the Agency's discretion to maintain or undo the incentive awards granted during that period of time. We have decided not to retract those awards.*

**OIG Recommendation 3:** We recommend that DOA's Performance Management Official be an official of the Office of General Counsel

**Response:** *Consistent with other divisions managed by the Office of the General Counsel (OGC), the performance management official for DOA will be from the OGC.*

*Further, with regard to overall performance management, we are pleased to note that OHR has dedicated a newly-hired Human Resources Specialist (Performance Management) to manage the Agency's Performance Management System and Program. As a result, OHR is revising various program policies and processes related to performance management. These include: updating the Employee Recognition Program; establishing a new Performance Management cycle and a new Performance Appraisal form; providing additional guidance during monthly HR Conference calls with field Office Managers and Assistant Office Managers on a variety of HR topics; and developing Standard Operating Procedures (SOPs). This Performance Management Specialist reports to the Human Resources Director, who in turn reports to the Director of Administration, who directly reports to an Official of the OGC on related decision-making matters. Additionally, OHR has ongoing communications with OPM Performance Management Officials to make certain that regulatory requirements are satisfied, thus equipping OHR to independently execute the Agency's Performance Management System effectively.*

**OIG Recommendation 4:** We recommend that the Office of Human Resources review its records and ensure that all employees have a properly executed performance plan.

**Response:** *OHR is developing tools and resources to ensure that all NLRB employees have appropriate Performance Plans in place. Additionally, OHR is in the process of developing tutorials for the HR management team, as well as managers throughout the Agency, on the Agency's Performance Management Plans, with regulatory guidelines to follow. We anticipate offering the first training in March 2014.*

**OIG Recommendation 5:** We recommend that the Office of Human Resources establish criteria for when appropriated funds may be used for award ceremonies and that the criteria include a means to determine the amount of funds that may be used.

**Response:** *OHR will issue a separate memorandum regarding this issue after consultation with the Chief Financial Officer. The expected issuance date is February 2014.*

The General Counsel's Office, along with the Division of Administration and its Office of Human Resources, appreciate your efforts and the work you performed to bring these important issues to our attention. We remain committed to making changes as necessary or appropriate to ensure a properly controlled performance management administrative environment.

cc: Ventris Gibson, Director, Division of Administration  
Angela Wilson, Director, Office of Human Resources