

**UNITED STATES GOVERNMENT
NATIONAL LABOR RELATIONS BOARD
Office of Inspector General**



MEMORANDUM

DATE: September 26, 1996

To Frederick L. Feinstein
General Counsel

From Robert E. Allen
Acting Inspector General

Subject: Final Audit Report - "Review of Employee Appraisal Process"
OIG-AMR-19

Enclosed is a copy of the Office of Inspector General (OIG) audit report in the above referenced matter. A copy of this report is being provided to the Chairman in case he should receive inquiries concerning the report. A draft of the report was submitted to management for comment. The comments were considered in preparing this final report and are included in their entirety as Exhibit A.

This review determined that individual performance plans: accurately stated the tasks being performed by Agency employees; and, set forth specific duties and responsibilities which reflected the mission of employees' offices. Appraisal systems covering positions at the National Labor Relations Board (NLRB) had been established and employees were being evaluated against the criteria set forth in their individual performance plans. Incentive and performance awards paid to employees were administered in accordance with applicable regulations. This report includes two recommendations.

We request that you provide an action plan which implements the audit recommendations. The action plan should set forth specific actions which implement each recommendation and a schedule for their implementation. Your action plan should be submitted to the Supervisory Auditor within 60 days of this report.

We appreciate the cooperation extended to the OIG, specifically to Auditor Joseph Young, during the conduct of this audit. Should you have any questions or comments concerning this report, please do not hesitate to call upon us.


R.E.A.

cc: Chairman William B. Gould, IV

AUDIT REPORT

Office of Inspector General

REVIEW OF EMPLOYEE APPRAISAL PROCESS



National Labor Relations Board

AUDIT REPORT NO. OIG-AMR-19

Issued: SEPTEMBER 26, 1996

I. RESULTS OF AUDIT

This review determined that individual performance plans: accurately stated the tasks being performed by Agency employees; and, set forth specific duties and responsibilities which reflected the mission of employees' offices. Appraisal systems covering positions at the National Labor Relations Board (NLRB) had been established and employees were being evaluated against the criteria set forth in their individual performance plans. Incentive and performance awards paid to employees were administered in accordance with applicable regulations. This report includes two recommendations.

Forty managerial positions at the NLRB were randomly selected for review using a system that assured a broad representation in the audit sample. As discussed in Section III of this report, we believe these 40 positions provide a representative sampling of the overall positions in the Agency. We interviewed these employees and examined their performance plans, position descriptions, mission statements, and appraisals.

The Agency established overall Performance Management Plans/Systems which had been approved by the Office of Personnel Management (OPM). The systems included the appropriate elements as set forth in Title 5 U.S.C. Procedures were in place to ensure that performance plans were developed for employees when they entered on duty, received temporary or permanent promotions, or were reassigned or detailed to another position. The individual performance plans accurately stated the tasks being performed by the 40 employees in our sample. Most of the individual plans included indicators which could be used to measure the employee's performance. There was direct linkage between the employees' performance plans and the mission of their offices.

The position of Administrative Law Judge (ALJ) is exempt from performance plans and appraisals. ALJs do have time targets relating to the issuance of their decisions. This area will be the subject of a future audit.

NLRB Administrative Policy Circular No. 94-06, section 20.d states:

Performance Standards. Performance plans must include at least three written performance standards for each critical element. In all instances, there must be a written performance standard describing the "Fully Successful" level of performance. In addition, there must be a written performance standard for one of the two rating levels above "Fully Successful" and for one of the two rating levels below "Fully Successful."

Also, 5 CFR 430.204 (e) states, "Each appraisal system shall provide for a minimum of three rating levels for each critical element." Three of the 40 performance plans in our audit sample did not include at least 3 performance standards for each critical element. These three performance plans were identified for officials in the Personnel Branch.

Performance appraisals were based on at least three critical elements and included written narrative to support the actual rating. Employees were rated on a timely basis except for some officials in the Senior Executive Service. NLRB Administrative Policy Circular No. 87-3, titled Performance Appraisal System for Senior Executive Service (SES) Employees, Section 11 states, "the Appraising Official for each SES employee will prepare written performance ratings each appraisal period." Circular No. 87-3 states that the appraisal period is to commence on October 1 and end on September 30 the following year. Eleven of the 40 positions selected for review were at the SES level. Six of these SES employees had not been appraised for their performance during Fiscal Year 1995. We expanded our sample in this area to include all SES employees who should receive a performance rating for Fiscal Year 1995. Agencywide, 13 of 54 SES employees had not been appraised at the time of our draft report which was August 21, 1996. On September 25, 1996, the Director of Administration responded to our draft report and stated that 5 of the remaining 13 SES appraisals had been completed.

We found that performance and incentive awards were being processed in accordance with Agency policy and Title 5 U.S.C. NLRB properly reported to OPM the details of awards distributed to SES employees. In Fiscal Years 1994 and 1995, Agencywide expenditures for awards did not exceed the amounts allocated.

RECOMMENDATION 1 of 2

That the Division of Administration issue an Agencywide Bulletin to Supervisors and Management officials which informs them that each critical element within a performance plan must include at least three performance standards/ratings.

RECOMMENDATION 2 of 2

That the Division of Administration formally alert Appraising Officials and Senior Executives as to the guidelines for completing performance appraisals for SES employees. These guidelines were initially issued on October 31, 1995 in NLRB Administrative Bulletin No. 96-04.

MANAGEMENT RESPONSE

We accept the report as written but would like to make the following comment for the record.

"It was also acknowledged that while some SES members had not yet been appraised for their 1995 performance, in accordance with the Agency's recommended SES performance appraisal schedule, there has been no violation of any law or regulation and it is fully expected that the appraisals will be completed prior to the end of this fiscal year (the deadline for allocating FY-1996 SES bonuses). In fact, five additional SES appraisals for the 1995 appraisal period were completed and received in Personnel on August 21, 1996."

II. BACKGROUND

The NLRB is an independent Agency established in 1935 to administer the principle labor relations law of the United States, the National Labor Relations Act. The Act is intended to protect the public interest: by providing employees the opportunity to make their decisions concerning collective bargaining free from interference and coercion by employers and unions; and by empowering the NLRB to prevent and remedy certain union and employer actions which Congress determined to be unfair labor practices. NLRB is headquartered in Washington, DC and has 33 Regional Offices, several of which have Sub Regional and/or Resident Offices. The Agency employs about 2,000 people and for Fiscal Year 1996 has an appropriation of over \$170,000,000 which is approximately 3 percent less than Fiscal Year 1995.

The Division of Administration, Personnel Branch has responsibility for developing performance appraisal systems to assist managers in evaluating employees. Performance appraisal systems provide a systematic process by which agency management evaluates an employee's job performance for the purpose of improving individual and organizational effectiveness in the accomplishment of agency goals. The systems also link employees' pay as well as incentive awards (i.e., cash awards, quality step increases) to their performance. The appraisal systems require management to rate an employee's performance according to at least three but not more than five summary rating levels. The rating levels must include an "Unacceptable" level, a "Fully Successful" level, and an "Outstanding" level. The Agency has adopted five summary rating levels which are as follows: Outstanding, Commendable, Fully Successful, Minimally Successful, and Unacceptable. Each of the above standards has qualifying factors that must be achieved in order to receive that performance rating.

Performance plans include the employee's critical elements and performance standards. The actual work to be performed by an employee is stipulated in critical elements. A position has at least three critical elements each of which consists of one or more duties and responsibilities which contributes towards accomplishing organizational goals. One criterion for identifying a critical element is that unsatisfactory performance on the element would result in unsatisfactory performance in the position. Performance standards, ranging from "Outstanding" down to "Unacceptable", set forth the benchmarks which are to be used in evaluating employees. The managers and employees in the component to which positions are assigned jointly establish the individual performance plans.

An appraisal system should provide employees with assistance in improving performance that was rated below the "Fully Successful" level. The assistance provided to the employee may include on the job training, formal training classes, counseling and closer supervision. In addition, the appraisal system should provide for the reassignment of duties, reduction in grade or the removal of any employee whose performance is "Unacceptable", but only after affording the employee a reasonable opportunity to demonstrate an acceptable level of performance.

III. OBJECTIVES, SCOPE AND METHODOLOGY

As part of its Annual Plan for Fiscal Year 1996, the Office of Inspector General scheduled an audit of the Employee Appraisal Process. The objectives of our review were to evaluate the procedures for: (1) establishing employee responsibilities; (2) appraising individual performances; and, (3) administering monetary and other awards.

Our audit scope covered the period October 1, 1993 through September 30, 1995. Forty managerial positions were judgmentally selected for review. The 40 officials held positions at grade level 14, 15, SES level and ALJ level. At least one position was selected from each component of the Agency but no similar position was reviewed. All presidential appointee positions and the Office of Inspector General were excluded from the audit sample. There were 392 managerial/supervisory positions Agencywide at grade level 14, 15, SES level and ALJ level. Our analysis disclosed that the 392 positions consisted of 94 different types of managerial/supervisory positions. Our audit sample of 40 positions represented 43 percent (40/94) of the different types of managerial/supervisory positions at the NLRB.

In addition to interviewing management officials, we examined their performance plans, employee evaluations, and position descriptions. Employees were interviewed to identify the actual tasks being performed. Performance plans were evaluated to determine if they included indicators that could measure performance in terms of outputs and outcomes. Documentation authorizing performance and incentive awards were reviewed as well. We identified management controls related to the awards program and tested compliance with the following laws and regulations:

- Title 5, Code of Federal Regulations;
- Title 5, U.S.C., Chapters 43 and 45;
- NLRB Administrative Policy Circular No. 87-2, "Employee Recognition Programs";
- NLRB Administrative Policy Circular No. 87-3, "Performance Appraisal System for SES"; and,
- NLRB Administrative Policy Circular No. 94-06, "Performance Management Plan for GM/GS 13-15 Supervisors and Management Officials.

This audit was performed in accordance with generally accepted Government auditing standards at NLRB's Headquarters Office during the period October 1995 to July 1996.

UNITED STATES GOVERNMENT
National Labor Relations Board



Memorandum

September 25, 1996

TO: Robert E. Allen
Acting Inspector General

FROM: Gloria Joseph
Director of Administration

SUBJECT: Request for Formal Comments on Draft Audit Report - "Review of Employee Appraisal Process", OIG-AMR-19

This is in response to your predecessor's memo, dated August 21, 1996, regarding the above subject.

We accept the report as written but would like to make the following comment for the record.

"It was also acknowledged that while some SES members had not yet been appraised for their 1995 performance, in accordance with the Agency's recommended SES performance appraisal schedule, there has been no violation of any law or regulation and it is fully expected that the appraisals will be completed prior to the end of this fiscal year (the deadline for allocating FY-1996 SES bonuses). In fact, five additional SES appraisals for the 1995 appraisal period were completed and received in Personnel on August 21, 1996."

Please contact me as necessary.

cc: Sharlyn Grigsby
Director of Personnel