United States Government Accountability Office

Report to Congressional Requesters

December 2016

VETERANS HEALTH ADMINISTRATION

Management Attention Is Needed to Address Systemic, Long-standing Human Capital Challenges

GAO Highlights

VETERANS HEALTH ADMINISTRATION

Management Attention Is Needed to Address Systemic, Long-standing Human Capital Challenges

Why GAO Did This Study

VHA faces challenges in transforming its health care operations to provide quality care to veterans. GAO's past work has shown that an agency's workforce, and, in particular its human capital office, can play a central role in organizational transformation. Further, high levels of employee engagement—that is, the sense of purpose and commitment employees feel toward their employer and its mission—can lead to better organizational outcomes.

GAO was asked to (1) determine VHA's capacity to perform key HR functions; (2) evaluate the extent to which VHA's HR processes are consistent with human capital management principles and internal control practices; and (3) assess VHA's performance management process and its efforts to monitor and improve employee engagement.

To meet these objectives, GAO evaluated VHA's processes against relevant federal standards for internal control and human capital leading practices, reviewed VA and VHA documents, analyzed responses to employee surveys, and interviewed agency officials.

What GAO Recommends

GAO is making 12 recommendations to VA to improve the HR capacity and oversight of HR functions at its medical centers; develop a modern, credible employee performance management system; and establish clear accountability for efforts to improve employee engagement. VA concurred with 9 recommendations and partially concurred with 3 recommendations to improve VHA's performance management system.

What GAO Found

The Veterans Health Administration's (VHA) limited human resources (HR) capacity combined with weak internal control practices has undermined VHA's HR operations and its ability to improve delivery of health care services to veterans.

- Attrition of medical center HR staff increased between fiscal years 2013 and 2015, due to HR staff transferring to other federal agencies. VHA officials note a lack of HR capacity has impacted their ability to recruit and hire critical clinical staff.
- Inadequate oversight of medical center HR offices limits the Department of Veterans Affairs' (VA) and VHA's ability to monitor HR improvement efforts and ensure that HR staff apply policies consistently, such as for position classification.
- VHA reports skills gaps in its HR staff, but does not conduct comprehensive skills gaps assessments. Further, VHA has limited ability to monitor the effectiveness of HR training.

Long-standing, Systemic Human Capital Challenges Limit the Veterans Health Administration's (VHA) Ability to Effectively Manage and Deliver Human Resources Services
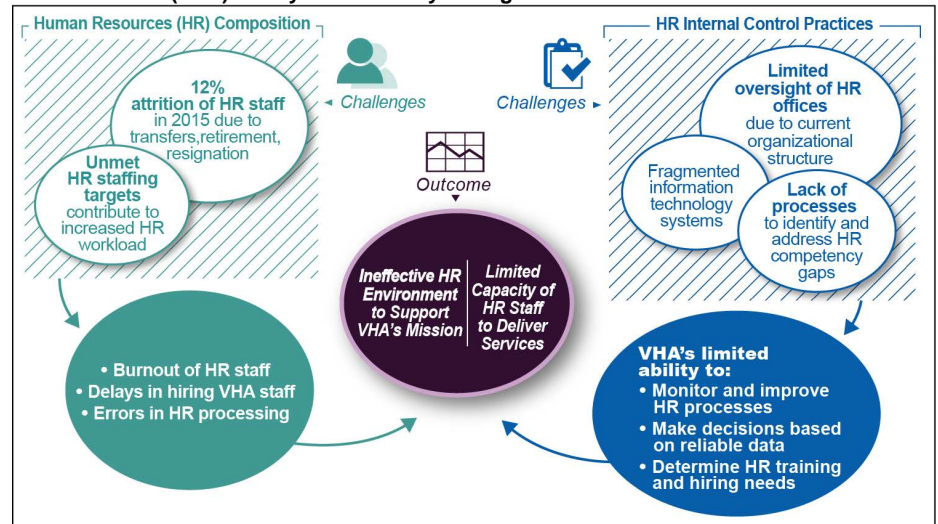
Source: GAO analysis of Veterans Health Administration data. | GAO-17-30

VHA's employee performance management system is inconsistent with leading HR practices. Due to shortcomings in current performance management policies and procedures, VHA may not be positioned to make meaningful distinctions in employee performance. Further, VHA is challenged by inefficiencies in its performance management processes, including the lack of a performance appraisal IT system, which prevents it from identifying trends and opportunities for improvement. VHA is taking steps to address employee engagement; however, there is room for improvement. VHA can better support medical centers by establishing clear lines of accountability for engagement efforts, collecting and leveraging leading practices, and addressing barriers to improving engagement.

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Abbreviations

AES	All Employee Survey
CARDS	Consult, Assist, Review, Develop, and Sustain
EEI	Employee Engagement Index
FEVS	Federal Employee Viewpoint Survey
GS	General Schedule
HCAAF	Human Capital Assessment and Accountability Framework
HR	human resources
HR&A	Human Resources and Administration
HRD	Human Resource Development
IT	information technology
NCOD	National Center for Organization Development
OPM	Office of Personnel Management
PAID	Personnel and Accounting Integrated Data
SES	Senior Executive Service
VA	Department of Veterans Affairs
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network
WMC	Workforce Management and Consulting

December 23, 2016

Congressional Requesters

The Department of Veterans Affairs' (VA) Veterans Health Administration (VHA) operates one of the largest health care systems in the nation, with a mission of providing high-quality medical care to veterans. As of fiscal year 2015, VA was operating an expansive system of health care facilities with about 317,000 employees and 21 Veterans Integrated Service Networks (VISN) overseeing 168 medical centers and more than 1,000 outpatient facilities.[1] VHA provided care to about 6.7 million veterans in fiscal year 2015 and the demand for its services is expected to grow in the coming years due, in part, to service members returning from the United States' military operations in Afghanistan and Iraq and the growing needs of an aging veteran population.

At the same time, VA faces serious and long-standing problems with veterans' access to care and management failures, including ongoing appointment scheduling problems, unreliable appointment wait time data, and inadequate coordination of veteran care between VA and non-VA medical providers.[2] In an effort to help VA address such weaknesses, Congress enacted the Veterans Access, Choice, and Accountability Act of 2014 (Choice Act).[3] The Choice Act provides VA with new authorities,

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[1] Each VA medical facility is assigned to a specific VISN. The VISN oversees the medical facilities within its network. There are currently 140 VA medical center director positions; some directors oversee multiple facilities. Currently, VHA is consolidating some of its VISNs and plans to have a total of 18 VISNs by the end of fiscal year 2018. Medical centers manage primary care clinics located within their respective medical centers and any associated community-based outpatient clinics, which also provide primary care and general mental health services on site.

[2] These issues were highlighted in our 2015 High Risk Report, GAO, *High Risk Series: An Update*, GAO-15-290 (Washington, D.C.: Feb. 11, 2015).

[3] Pub. L. No. 113-146, 128 Stat. 1754 (August 7, 2014) (hereafter, "Choice Act"), as amended by Pub. L. No. 113-175, 128 Stat. 1901 (Sept. 26, 2014) (Department of Veterans Affairs Expiring Authorities Act of 2014). In this report, references to the Choice Act include any amendments made by the Department of Veterans Affairs Expiring Authorities Act of 2014.

funding, and other tools to help support and reform VA.[4] Among other things, the Choice Act required VA to contract with a private entity to independently assess 12 areas of its health care delivery system and management processes. This includes the competency of VHA's leadership in the areas of accountability, succession planning, performance management, and employee engagement, among others.[5] The Choice Act also established the Commission on Care (the Commission). This independent entity evaluated veterans' access to VA health care and assessed how veterans' care should be organized and delivered during the next 20 years.[6] In its final June 2016 report, the Commission on Care acknowledged that, although VHA provides health care that is, in many ways, comparable or better in clinical quality to that generally available in the private sector, the care is inconsistent from facility to facility. Health care also can be compromised by poorly functioning operational systems and processes. The commission's 18 recommendations—several of which directly address human capital—are intended to serve as a foundation for organizational transformation at VA.

A key starting point for addressing VHA's challenges is with its workforce, an agency's most important asset. In our past work, we have noted how an organization's workforce defines its character, affects its capacity to perform, and represents its knowledge base.[7] Additionally, an agency's workforce, and, in particular its human capital office, can play a central role in transforming an agency into a high-performing organization. High-performing organizations have such attributes as

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[4]Pub. L. No. 113-146, 128 Stat. 1754 (Aug. 7, 2014), as amended by Pub.L. No. 113-175, 128 Stat. 1901 (Sept. 26, 2014). For example, the Choice Act gives the Secretary of VA the authority to directly appoint qualified personnel to serve in occupations with the largest staffing shortages. Pub. L. No. 113-146, 128 Stat. 1784, § 301(a)(1), *codified at* 38 U.S.C. 7412.

[5]Pub. L. No. 113-146, § 201(a)(1), 128 Stat. 1769. Centers for Medicare & Medicaid Services' Alliance to Modernize Healthcare Federally Funded Research and Development Center, *Independent Assessment of the Health Care Delivery Systems and Management Processes of the Department of Veterans Affairs: Volume I: Integrated Report* (Washington, D.C.: Sept. 1, 2015).

[6]Pub. L. No. 113-146, § 202, 128 Stat. 1754, 1773.

[7]For relevant prior work, see GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003); *Government Printing Office: Advancing GPO's Transformation Effort through Strategic Human Capital Management*, GAO-04-85 (Washington, D.C.: Oct. 20, 2003); and *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

- leadership committed to integrating human capital processes with the agency's business practices using a framework to plan, direct, and monitor operations to achieve agency objectives,

- processes to determine strategies that address skills gaps within the workforce and the effective implementation and monitoring of those strategies,

- information systems in place to generate meaningful and reliable data to assist decision making in areas such as acquiring, developing, and retaining talent,

- an effective employee performance management system that includes expectation setting, coaching, and feedback and establishes a clear "line of sight" between individual performance and organizational success,[8] and

- an engaged workforce that feels a sense of connection to both the agency and its mission.

The presence of these attributes will result in better organizational outcomes and increase the likelihood that an agency will achieve its goals.[9]

You asked us to conduct a management review of VHA's human capital processes.[10] This report (1) determines VHA's capacity to perform key human resource (HR) functions; (2) evaluates the extent to which VHA's HR processes are consistent with human capital management principles and internal control practices; and (3) assesses VHA's performance management process and its efforts to monitor and improve employee engagement. To determine VHA's capacity to perform key HR functions, we focused on the composition of its HR workforce over time. Specifically, we analyzed data from VA's Personnel and Accounting Integrated Data

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[8]GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Apr. 4, 2003).

[9]GAO, *Federal Workforce: Additional Analysis and Sharing of Promising Practices Could Improve Employee Engagement and Performance*, GAO-15-585 (Washington, D.C.: July 14, 2015).

[10]Other areas of this request focused on organizational structure, strategic planning, and information technology. See for example, GAO, *VA Health Care: Processes to Evaluate, Implement, and Monitor Organizational Structure Changes Needed*, GAO-16-803 (Washington, D.C.: Sept. 27, 2016); and *Veterans Health Care: Improvements Needed in Operationalizing Strategic Goals and Objectives*, GAO-17-50 (Washington, D.C.: Oct. 21, 2016).

(PAID) system for fiscal years 2011 through 2015.[11] To examine potential drivers of VHA HR employee attrition, we analyzed results from the department's employee exit survey and results of selected questions from VA's All Employee Survey (AES) for 2014 and 2015. We reviewed documentation related to VHA HR staffing, including internal reports and external assessments. To assess the extent to which VHA's HR processes are consistent with human capital management principles and internal control practices, we reviewed (1) organizational charts, the roles and responsibilities of each HR office, and relevant VA directives and handbooks; (2) VA policies and procedures for evaluating the effectiveness of its HR functions and the results of HR assessments conducted between 2013 and 2015; (3) information on HR workforce competencies, training, and professional development; and (4) documentation on information technology systems and data to support HR functions. We compared these to applicable activities in *Standards for Internal Controls in the Federal Government.*[12] To assess VHA's employee performance management processes, we reviewed VA directives and handbooks, and procedures related to the performance appraisal and awards process and compared these with leading practices. Using data from VA's PAID system, we analyzed VHA-wide data on performance rating distributions and awards. We also analyzed a sample of fiscal year 2015 employee performance plans, and employee responses to questions on performance management and awards from OPM's 2015 Federal Employee Viewpoint Survey (FEVS).[13] To conduct our work on employee engagement, we reviewed documentation on the employee engagement efforts developed at VA. To analyze VHA-wide changes related to employee engagement, we analyzed survey results from the FEVS and AES.

To support all engagement objectives, we interviewed knowledgeable VA and VHA officials at VA headquarters in Washington, D.C., or via teleconference, and officials and staff at four VA medical centers in Bath, New York; Cheyenne, Wyoming (via video teleconference); Orlando,

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[11]PAID data through fiscal year 2015 were the most recent set of data available at the time of our review.

[12]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

[13]OPM's FEVS is an annual survey intended to capture overall employee perceptions of their workplace. The survey is administered to a sample of federal employees across the government.

Florida; and Puget Sound, Washington. These medical centers were selected to provide variation in (1) Human Capital Assessment and Accountability Framework (HCAAF) scores, (2) patient volume, (3) facility complexity level, (4) rural or urban designation; and (5) geographic location.[14] We interviewed each medical center's senior administrators (e.g., medical center director and chief of staff), clinical and administrative managers, front-line employees, and labor union representatives. Specific to human capital, we interviewed each medical center's HR director as well as HR specialists (who manage, supervise, and deliver HR products and services), and HR assistants (who provide support to HR specialists)—both of whom are referred to as "HR staff" throughout this report. Finally, we also interviewed senior administrators in the VISN offices who oversee the medical centers we selected. For a more detailed description of our objectives, scope, and methodology, see appendix I.

We conducted this performance audit from July 2015 to December 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

VHA's health care mission is broad in that it provides veterans with a wide range of health care services. These services include primary care and surgery and unique specialized care, such as treatment for post-traumatic stress disorder, traumatic brain injury, and readjustment counseling. VHA is also a leader in medical research and the largest provider of health care training in the United States.[15] As such, each medical center hires employees in a wide range of clinical and administrative professions, from nurses and physicians to hospital administrators, police, and

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[14]Derived from selected questions of the FEVS, OPM's HCAAF is intended to identify human capital systems that together provide a consistent, comprehensive representation of human capital management for the federal government.

[15]According to VHA, the department provides clinical traineeships and fellowships to more than 100,000 students in more than 40 professions each year.

housekeepers.[16] These employees are covered by three types of personnel systems:[17]

- Title 5 of the U.S. Code (Title 5): The majority of federal employees across the government are hired under the authority of Title 5; at VHA, employees under this personnel system hold positions such as police officers, accountants, and HR management.[18]

- Title 38 of the U.S. Code (Title 38): VA's separate personnel system for appointing medical staff including physicians, dentists, and registered nurses. These appointments are made based on an individual's qualifications and professional attainments in accordance with standards established by VA's Secretary.[19]

- Title 38-Hybrid: Employees under this personnel system hold positions such as respiratory, occupational, or physical therapists; social workers; and pharmacists. This system combines elements of both Title 5 (such as for performance appraisal, leave, and duty hours) and Title 38 (such as for appointment, advancement, and pay).[20]

Each of these personnel systems have different requirements (and flexibilities) related to recruitment and hiring, performance management, and other areas served by VHA's HR staff.

In 2015, we added VA Health Care to our High Risk List based on serious concerns about VA's management and oversight of its health care system, including the department's inability to hold its health care facilities accountable and ensure that identified problems are resolved in a timely

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[16]In 2015, VHA had about 54,000 registered nurses, 19,000 physicians, 1,000 dentists, and 81,000 other staff including, among others, medical support assistants, administrative staff, and police.

[17]In this report, for ease of comprehension, we refer to the respective personnel systems by the terms that VA uses, which loosely correspond to the applicable codification in the United States Code (U.S. Code) which authorizes those personnel systems.

[18]Title 5 of the U.S. Code provides the authority for government organization and employees.

[19]Title 38 of the U.S. Code provides the authority for veterans' benefits and includes provisions which cover certain employees of the VA.

[20]The appointing authority for employees under Title 38 and Title 38-Hybrid differ. Title 38 employees are appointed under the authority of 38 U.S.C. § 7401(1) and Title 38-Hybrid employees are appointed under the authority of 38 U.S.C. §§ 7403 or 7405.

and appropriate manner.[21] At the time of our 2015 report, we noted that VA had more than 100 unresolved recommendations related to ambiguous policies and inconsistent processes, inadequate oversight and accountability, information technology challenges, inadequate training for VA staff, and unclear resource needs and allocation priorities.

Specific to human capital, we have also reported on challenges VHA faces in hiring and retaining clinical staff in occupations with the largest staffing shortages.[22] For example, in 2014 and 2015, we reported on challenges VHA was experiencing in recruiting and retaining nurses.[23] Overall, we recommended that VA improve its processes for nurse recruitment and retention and continuously monitor and evaluate its efforts; VA concurred with our recommendations. Most recently, in July 2016, we found that attrition for VHA clinical employees in occupations with the largest staffing shortages has gradually increased from 7.3 percent in fiscal year 2011 to 8.2 percent in fiscal year 2015.[24] According to our analysis of VHA's personnel data, voluntary resignations and retirements accounted for about 90 percent of VHA's losses for these occupations. VHA's exit survey data indicated that employees in these positions generally left VHA due to lack of advancement or dissatisfaction with certain aspects of the work.

As previously mentioned, the Commission's June 2016 report outlined 18 recommendations for transforming veterans' health care, including a broad recommendation that VHA transform its complex organizational structure to better support decision making and communication between

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[21]GAO, *High Risk Series: An Update*, GAO-15-290 (Washington, D.C.: Feb. 11, 2015).

[22]In September 2015, VA's Office of the Inspector General reported that the top five clinical occupations with the largest staffing shortages were physicians, nurses, psychologists, physician assistants, and physical therapists. The office released an updated assessment in September 2016 and found that these same positions, in addition to medical technologists, currently have the largest staffing shortages.

[23]See GAO, *VA Health Care: Oversight Improvements Needed for Nurse Recruitment and Retention Initiatives*, GAO-15-794 (Washington, D.C.: Sept. 30, 2015) and *VA Health Care: Actions Needed to Ensure Adequate and Qualified Nurse Staffing*, GAO-15-61 (Washington, D.C.: Oct. 16, 2014). We made three recommendations in GAO-15-794 and five recommendations in GAO-15-61.

[24]Between fiscal years 2011 and 2015, VHA lost about 1,800 clinical staff in occupations with the largest staffing shortages. GAO, *Veterans Health Administration: Personnel Data Show Losses Increased for Clinical Occupations from Fiscal Year 2011 through 2015, Driven by Voluntary Resignations and Retirements*, GAO-16-666R (Washington, D.C.: July 29, 2016).

the central office, VISNs, and medical centers. Specific to human capital challenges, the Commission recommended that

- Congress create a new alternative personnel system under Title 38 for all VHA employees that applies human capital management best practices and supports pay and benefits that are competitive with the private sector;

- VHA establish an executive performance management system that reflects competencies appropriate to health care leaders and creates meaningful distinctions in performance with meaningful awards; and

- top VA and VHA executives prioritize and lead the transformation of human capital management with expert resources, funding, and continuity of vision.[25]

In August 2016, the Secretary of VA reported to the President that the department found 15 of the Commission's 18 recommendations feasible, including those above.[26] The report states that VA is currently addressing the human capital-related recommendations through a legislative proposal and as part of VHA's MyVA transformation effort and other initiatives.[27] In a September 2016 letter to Congress, the President also agreed with the same 15 of the Commission's 18 recommendations and he directed VA to develop plans to fully implement them.[28]

VHA's HR functions are decentralized. Each of VHA's 21 VISNs has an HR office that oversees the medical center-level HR offices within its network. In general, each VA medical center has its own HR office led by an HR officer. Individual HR offices are responsible for managing employee recruitment and staffing, employee benefits, compensation, employee and labor relations, and overseeing the annual employee

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[25]Commission on Care, *Final Report of the Commission on Care* (Washington, D.C.: June 30, 2016).

[26]Department of Veterans Affairs, *Letter from Secretary Robert A. McDonald to President Barack Obama (*Aug. 2, 2016).

[27]The MyVA initiative—VA's broad transformation effort—focuses on improving both the veteran and employee experience. According to the department, MyVA emphasizes improved service delivery, a veteran-centric culture, and an environment in which veteran perceptions indicate VA's success. It extends to all aspects of the agency's operations.

[28]The White House, *Letter from the President—Report of the VA Commission on Care* (Sept. 1, 2016).

performance appraisal process.[29] Medical center HR offices also provide HR services to employees at VHA's community-based living centers, rehabilitation centers, and outpatient centers. During fiscal year 2015, VHA's HR staff were generally covered by the General Schedule (GS), the federal government's primary pay and classification system.[30] VHA's HR staff are classified as either an HR specialist, who manage, supervise, and deliver HR products and services; or an HR assistant, who provide administrative support to HR specialists.

Medical Center HR Capacity Is Limited Due to High Staff Attrition and Heavy Workload

Attrition of VHA HR Staff Has Increased Annually Since Fiscal Year 2013, Driven by Transfers to Other Agencies and Retirement

Between the end of fiscal year 2011 and the end of fiscal year 2015, VHA lost 1,904 HR staff to attrition, which VHA defines as voluntary retirement, resignation, transfer to another agency, or involuntary separation.[31] At VHA, attrition of HR staff has recently grown from 7.8 percent (312 employees) at the end of fiscal year 2013 to 12.1 percent (536 employees) at the end of fiscal year 2015. In comparison, attrition for all VHA employees has been generally consistent during the same period, from 8.4 percent in fiscal year 2013 to 9 percent at the end of fiscal year 2015 (see figure 1).

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[29]According to the VHA officials with whom we spoke, some VISN offices have consolidated HR functions such as position classification at the network level, though this varies across VHA.

[30]The GS is used for professional, technical, administrative, and clerical positions. The GS system has 15 grades: GS-1 (lowest) to GS-15 (highest).

[31]VHA refers to voluntary retirement, resignation, transfer to another government agency, and involuntary separation as "losses." However, we refer to this as "attrition" throughout this report.

Figure 1: Attrition for Veterans Health Administration Human Resources Staff Has Increased Since Fiscal Year 2013

Percent
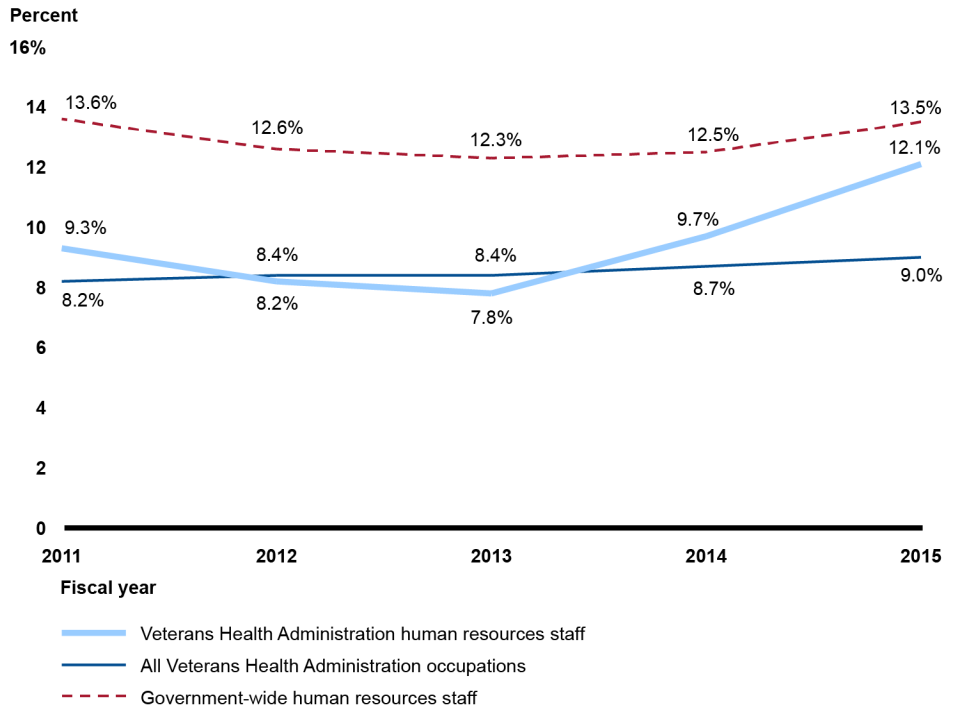
Source: Department of Veterans Affairs Personnel and Accounting Integrated Data and Office of Personnel Management data, fiscal years 2011-2015. | GAO-17-30

Note: Veterans Health Administration (VHA) data include permanent, temporary, full-time, and part-time employees in pay status. Data exclude medical residents and intermittent employees. Between fiscal years 2011 and 2015, the average total N=4,000 VHA human resources (HR) staff, and total average N=295,912 VHA employees in all occupations. Government-wide data include permanent, temporary, full-time, and part-time executive branch HR staff in pay status. Data do not cover the U.S. Postal Service, intelligence agencies, or judicial branch employees. Between fiscal years 2011 and 2015, the average total N=39,917 HR staff.

VHA's growing attrition of HR staff is consistent with government-wide trends. As shown in figure 1, the attrition rate for HR staff government-wide ranged between 12.3 percent and 13.6 percent between fiscal years 2011 and 2015. This reflects a broader challenge throughout the federal government. Indeed, in 2016, OPM and the Chief Human Capital Officers Council concluded that the HR specialist position was one of six

government-wide skills gaps that needed to be closed to ensure that agencies cost-effectively serve the public and achieve mission results.[32]

In addition, our analysis shows that between the end of fiscal year 2011 and 2015, the annual attrition for VHA HR assistants was higher than for HR specialists. Attrition for all HR staff peaked at the end of fiscal year 2015, with about 13.8 percent of HR assistants (178 employees) and 11.4 percent of HR specialists (358 employees) leaving VHA (see figure 2).

Figure 2: Attrition for Veterans Health Administration Human Resources (HR) Assistants Is Higher Than Attrition for HR Specialists, Fiscal Years 2011-2015
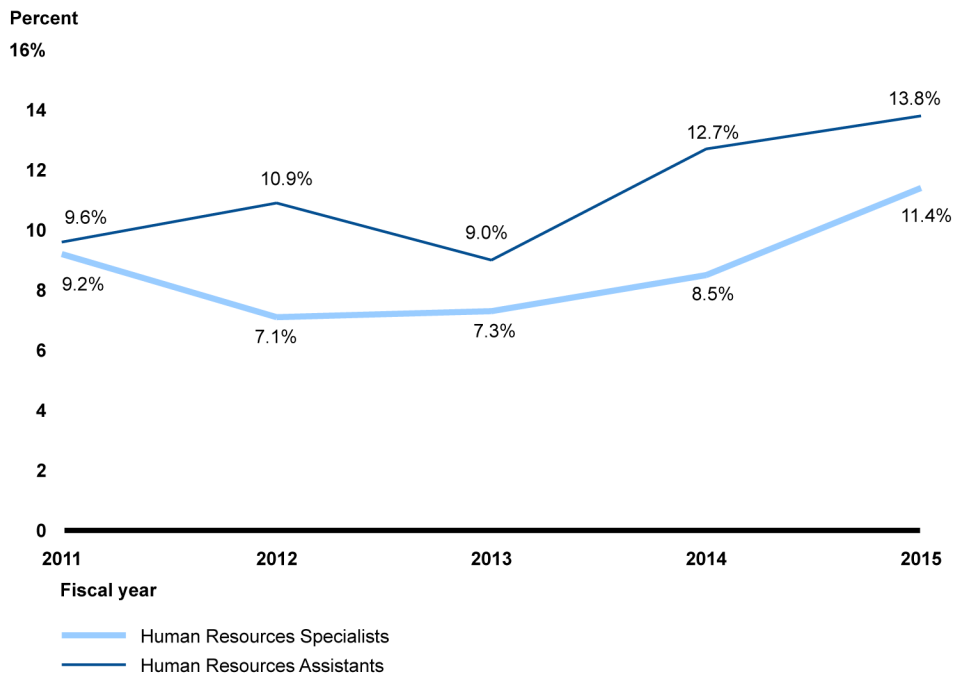
Source: Department of Veterans Affairs Personnel and Accounting Integrated Data, fiscal years 2011-2015. | GAO-17-30

Note: Data include permanent, temporary, full-time, and part-time Veterans Health Administration employees in a pay status. Data exclude medical residents and intermittent employees. Between fiscal years 2011 and 2015, total average N=2,799 for HR specialists, and total average N=1,201 for HR assistants.

[32]To make this determination, OPM analyzed several factors including the two-year retention rate, quit rate, and retirement rate for HR staff across the federal government.

Our analysis of VHA data shows that attrition of HR staff results primarily from transfers to other federal agencies, followed by resignations and voluntary retirement. Of the HR staff who left VHA in 2015, about 43.3 percent of HR specialists (155 employees) and 39.3 percent of HR assistants (70 employees) transferred to another federal agency. Further, in fiscal year 2015 HR specialists transferred to other federal agencies at a rate six times higher than all VHA employees (see figure 3). We also found that three out of four HR assistants who left VHA in 2015 did so within their first 2 years of employment.

Figure 3: Percentage of Veterans Health Administration Human Resources Staff Who Transferred to Other Federal Agencies, Fiscal Year 2015

Source: Department of Veterans Affairs Personnel and Accounting Integrated Data, fiscal year 2015. | GAO-17-30

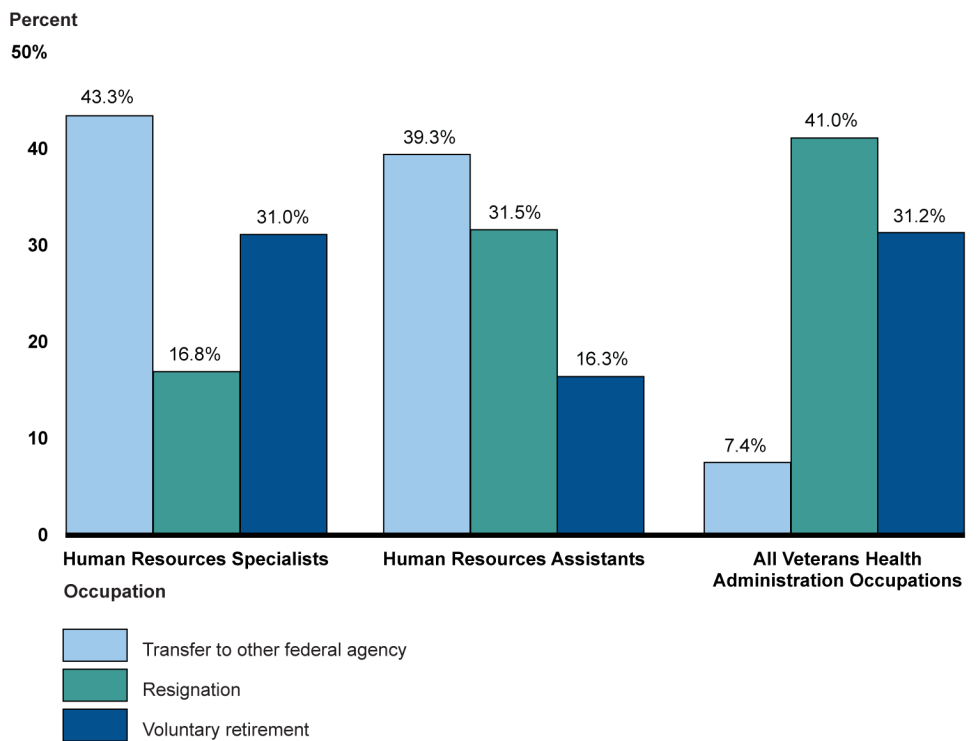Note: Data include permanent, temporary, full-time, and part-time Veterans Health Administration (VHA) employees in a pay status. Data exclude medical residents and intermittent employees. The total N=358 for human resources (HR) specialists; N=178 for HR assistants; and N=28,438 employees for all VHA occupations.

According to VHA exit survey data for fiscal year 2015 and agency documentation, HR assistants and specialists have left the agency due to different reasons.

- According to VHA data, more than half of the HR assistants who responded to the exit survey stated that they were taking a position at another federal agency.[33] Further, HR assistants most often cited issues with career advancement as their primary reason for leaving VHA.[34] This is consistent with challenges raised by some HR staff with whom we spoke. For example, HR assistants at one medical center we visited noted that current training opportunities do not prepare them for advancement within the team or at VHA, but do prepare them for advancement elsewhere.

- HR specialists are also transferring to other federal agencies.[35] According to VHA's 2016 Workforce and Succession Strategic Plan, HR specialists left VHA between fiscal years 2011 and 2015 due to the complexity of the HR work (for example, knowledge of the three personnel systems), among other things.[36]

HR Offices' Unmet Staffing Targets and Increased Workload Contributed to Staff Burnout

To measure its staffing levels and track its HR capacity, VHA uses a HR staff to employee ratio consisting of the number of HR staff to VHA employees served. According to VHA's 2010 HR Delivery Model, VHA established a target HR staffing ratio of 1 HR staff to 60 VHA employees to manage consistent, accurate, and timely delivery of HR services. Even with new hires to partially offset annual attrition, we found that between fiscal years 2011 and 2015, the majority of medical centers did not meet VHA's HR staffing goals (see figure 4).[37] For example, in fiscal year 2015, about 83 percent (116 of 139) of medical centers did not meet this

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[33]VHA sends its exit survey to all employees that voluntarily leave VHA. In fiscal year 2015, about one-third of HR staff who planned to leave the agency completed the survey.

[34]Specifically, VHA HR assistants cited a lack of advancement opportunities at VHA and better career opportunities elsewhere as their reasons for leaving.

[35]Our analysis did not include collecting information on the purpose for transferring to another agency, including whether staff were transferring into the same position or promotion.

[36]Veterans Health Administration, *VHA Workforce and Succession Strategic Plan, 2016* (2016).

[37]For example, according to VHA officials, the department hired 513 new HR staff in fiscal year 2015 (this excludes temporary appointments).

target.[38] Of these 116 medical centers, about half had a staffing ratio of 1 HR staff to 80 VHA employees or worse. This means that at these medical centers, each HR employee was serving 20 to 80 more employees than is recommended by VHA's target staffing ratio. According to the HR staff with whom we spoke, this has impacted HR employees' ability to keep pace with work demands.[39]

Figure 4: Few Department of Veterans Affairs (VA) Medical Centers Have Met the Target Ratio of 1 Human Resources Staff to 60 Employees, Fiscal Years 2011-2015
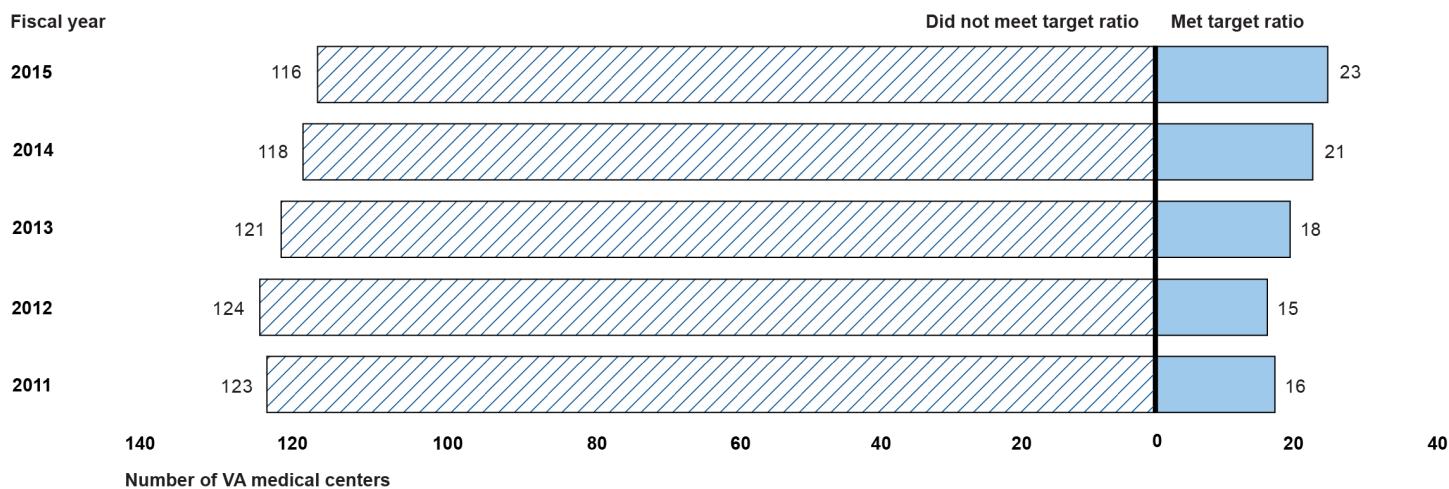
Source: GAO analysis of Department of Veterans Affairs Personnel and Accounting Integrated Data, fiscal years 2011 to 2015. | GAO-17-30

Note: N=139 VA medical centers. Ratios reflect all Veterans Health Administration employees on board in both pay and non-pay status.

The HR staff with whom we spoke at three medical centers and two VISNs described challenges that stemmed from unmet staffing targets and increased workload, such as the following examples.

- HR officers and HR staff with whom we spoke reported that the volume of work and staff turnover has led to delays in the hiring process. Specifically, HR staff at three of the medical centers we

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[38]Although VHA has 168 individual medical centers, it reports data at the "parent" medical center level. There are 140 parent medical centers. However, one medical center did not have sufficient data to be included in our analysis.

[39]According to OPM's 2013 HR benchmarking report, the average government-wide HR staff to employee ratio for fiscal year 2012 was about 1:63. OPM, *Human Resources Line of Business: Agency Human Resources Benchmarking Report – MAESC* (July 2013).

visited stated that vacancies in the HR office have led to clinical positions not being filled and resulted in gaps in services provided to veterans. Similarly, HR officials at two of the VISN offices with whom we spoke stated that a lack of HR staff has impacted medical centers' ability to address important clinical hiring initiatives, such as hiring mental health providers.

- HR staff with whom we spoke reported that insufficient staffing levels have also increased the chances of making administrative errors. Similarly, VHA's 2015 review of operations at 29 medical center HR offices found that high HR staff attrition has contributed to personnel processing and coding errors.[40]

In addition, VHA's All Employee Survey (AES) results from 2015 indicate that HR staff report feeling more burned out and are less satisfied with their amount of work compared to the VHA-wide average in these areas.[41] VHA defines burnout as an employee's experience of exhaustion, depersonalization, and reduced personal achievement.

- Survey respondents who identified as HR specialists reported feeling burned out more than "a few times a month" (average score of 3.25 out of 6). In comparison, employees VHA-wide reported feeling burned out between "once a month" and "a few times a month" (average score of 2.92 out of 6).

- HR specialists who took the survey were also less satisfied with their workload compared to the VHA-wide average. Specifically, about 48.1 percent of those who identified as HR specialists reported being satisfied with the amount of work compared to about 62.5 percent of employees VHA-wide. These data are consistent with what HR staff told us at three of the four facilities we visited. Specifically, these employees reported that they come into work early, stay late, and work on weekends to keep up with their increasing workload.

The high attrition rate of VHA's HR staff, driven in part by unmet staffing targets and increased workload, has been a long-standing challenge for VHA. For example, a 2008 National Academy of Public Administration

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[40]VHA's Workforce Management and Consulting (WMC) conducts annual assessments of human resource programs at selected medical facilities. WMC summarizes the findings of its reviews in biannual reports.

[41]VHA's National Center for Organization Development develops and administers the AES, an annual census survey that is intended to gauge employees' experiences at VA. The AES captures the extent to which employees feel burned out on their job on a scale from 0 to 6, with 0 meaning never, and 6 meaning every day.

report on VA recruitment and retention found that HR offices were understaffed, leading to high ratios of HR staff-to-employees, HR staff working overtime to keep pace with the workload, staff burnout, and increased turnover.[42] Recently, the 2016 Commission on Care report found that VHA's multiple, complex personnel systems create added challenges for VHA HR staff.[43] Further, VHA's own 2016 Workforce and Succession Strategic Plan found that VHA's complex personnel systems have contributed to staff transfers to other federal agencies.[44] According to VHA's response to a VA Office of the Inspector General report on staffing shortages, HR staff are essential to VHA's ability to recruit and retain staff who provide critical care and services to veterans. However, until VHA addresses fundamental issues with its HR capacity, it will not be positioned to meet its future human capital needs.

VHA HR Functions Are Weak Due to the Lack of Effective Internal Control Practices

In addition to the high attrition, increased workload, and burnout experienced by VHA's HR offices, VHA's capacity to deliver HR services is weak due to a lack of effective internal control practices to support its HR operations. Specifically, federal standards for internal controls require agencies to (1) establish an organizational structure that includes appropriate lines of accountability and authority, (2) evaluate the competencies of HR staff and ensure they have been appropriately trained to do their jobs, and (3) design information systems to meet operational needs and use valid and reliable data to support the agency's mission.[45] We found a lack of these internal control practices for human capital at VHA. Figure 5 illustrates how a weak internal control environment at VHA, as well as issues with HR capacity, have had a compounding effect, creating an environment that undermines the department's HR operations and impedes its ability to improve delivery of health care services to veterans.

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[42]National Academy of Public Administration, *Recruiting and Retaining a Diverse High-Performing Workforce* (Washington, D.C.: Oct. 2008).

[43]Commission on Care. *Final Report of the Commission on Care* (Washington, D.C.: June 30, 2016).

[44]Veterans Health Administration, *VHA Workforce and Succession Strategic Plan, 2016* (2016).

[45]GAO-14-704G.

Figure 5: Long-standing, Systemic Human Capital Challenges Limit the Veterans Health Administration's (VHA) Ability to Effectively Manage and Deliver Human Resources Services
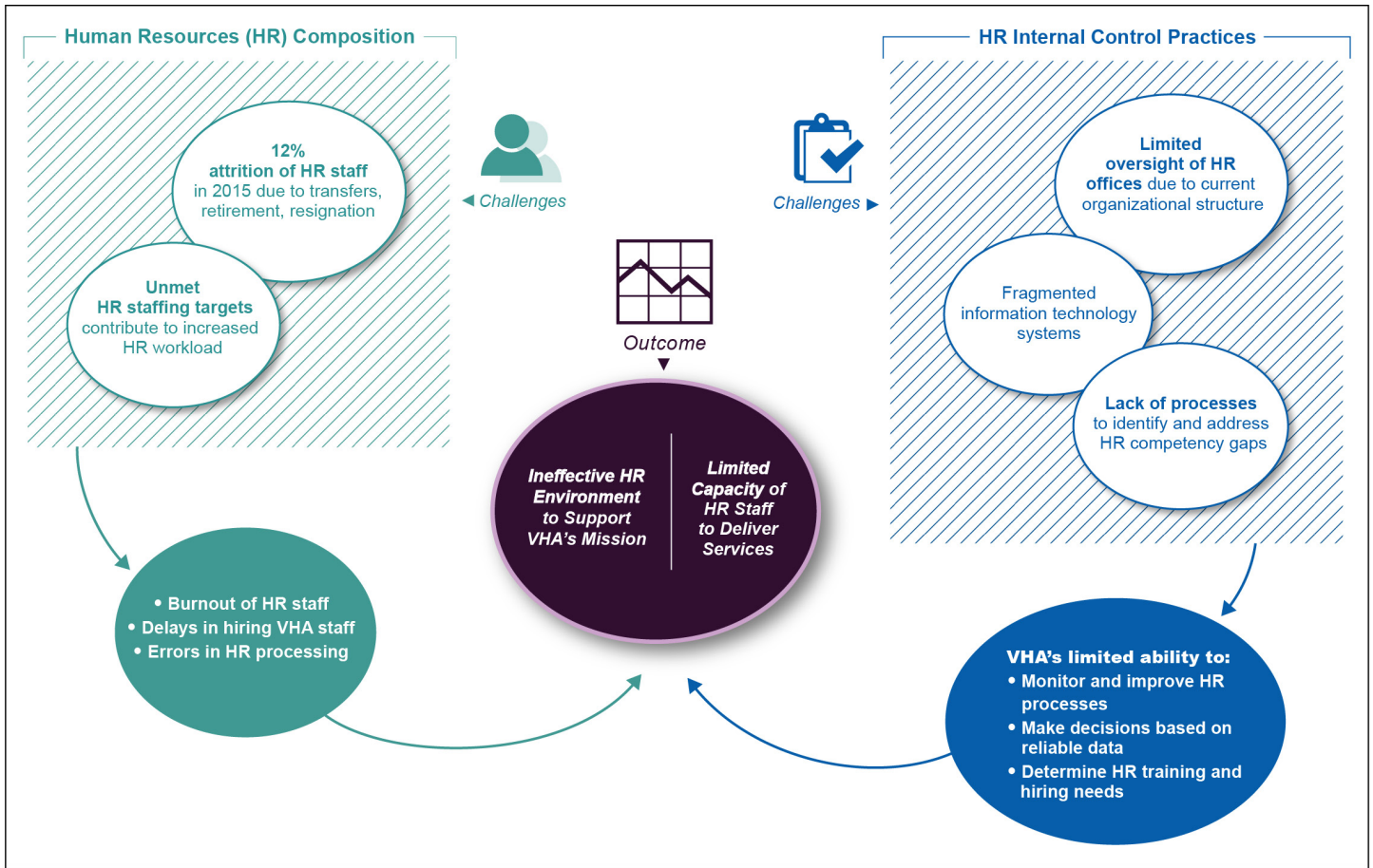
Source: GAO analysis of Veterans Health Administration data. | GAO-17-30

VHA and VA Central HR Offices' Lack of Authority Contributes to Weak Oversight of Medical Centers' HR Offices

VHA is structured so that the central HR offices at VA and VHA have inadequate oversight of medical center HR offices to hold them accountable. This lack of oversight contributes to issues with VHA's capacity to provide HR functions and limits VHA's ability to monitor HR improvement efforts and ensure that HR offices apply policies consistently. Our Standards for Internal Control requires an agency's organizational structure to provide a framework for planning, directing, and controlling operations to achieve agency objectives.[46] Additionally, an

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[46]GAO-14-704G.

organization's internal control system should include a control environment that, among other things, maintains accountability to an oversight body and key stakeholders.

VA and VHA's central HR offices are primarily responsible for developing HR policy, guidance, and training, while VISN and medical center HR offices are responsible for implementing HR policies and managing daily HR operations. Specifically, VA's Office of Human Resources & Administration (HR&A) develops department-wide HR policies and guidance, provides HR training, and conducts reviews of VA's HR operations. VHA's office of Workforce Management and Consulting (WMC) also develops guidance and HR training specific to VHA's Title 38 and Title 38-Hybrid hiring authorities and provides guidance and support to medical center and VISN HR offices as needed. However, as shown in figure 6, neither HR&A nor WMC have a direct oversight relationship with the VISN and medical center HR offices, which are responsible for implementing HR policies and operations.

Figure 6: Department of Veterans Affairs' and Veterans Health Administration's Human Resources Organizations and Lines of Authority
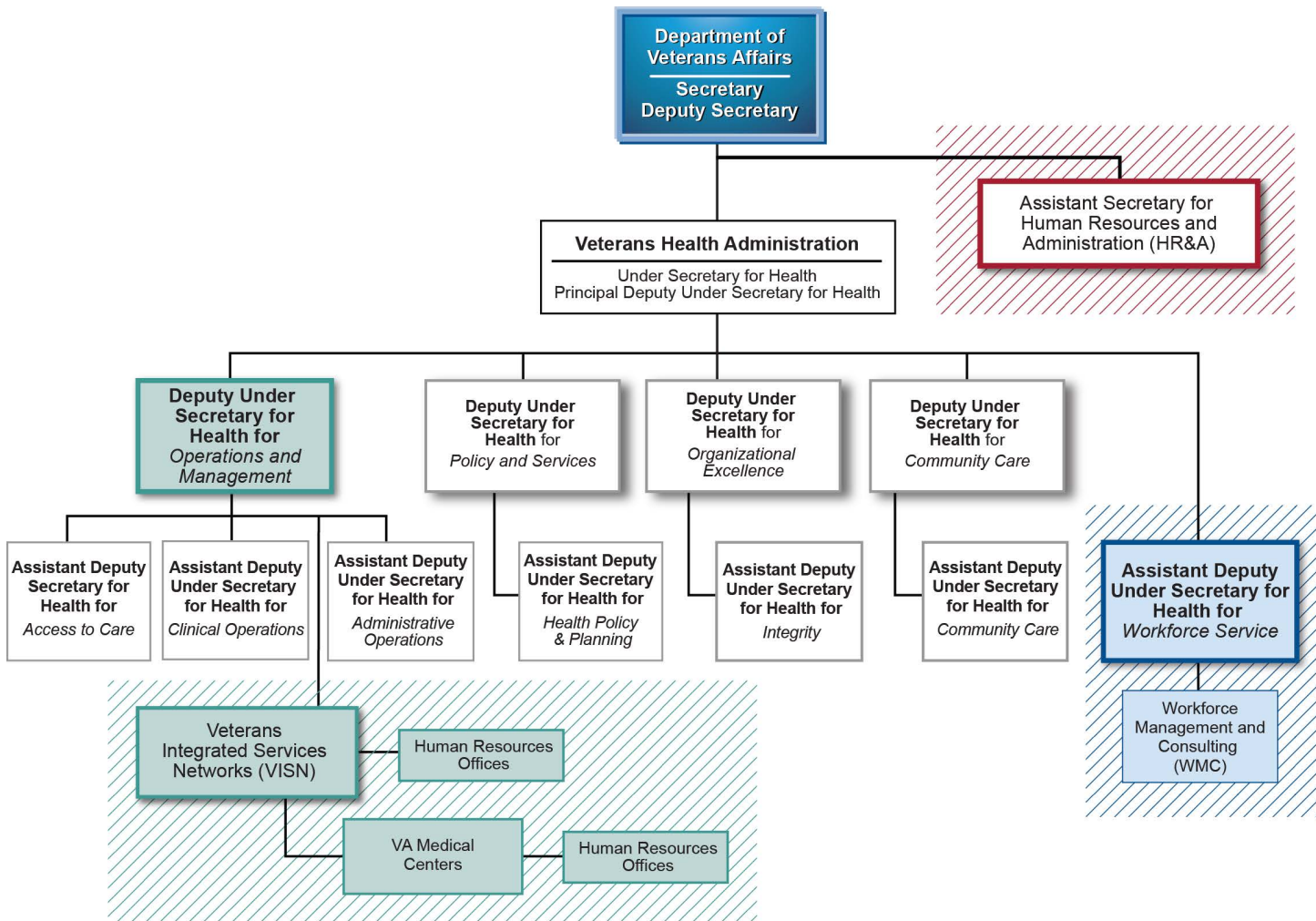
Source: GAO analysis of Department of Veterans Affairs data. | GAO-17-30

Note: In addition to the Deputy and Assistant Deputy Under Secretary positions shown in this figure, the following positions also report to the Under Secretary for Health: Chief of Staff, Chief Officer of Readjustment Counseling Service, Executive Director of Research Oversight, and Chief of Nursing.

At the VISN level, the VISN HR officer reports to the VISN director. Similarly, each medical center HR officer reports to the medical center director. According to the HR officers with whom we spoke, the VISN HR office provides some oversight and assistance to the medical center HR offices, though the VISN's level of involvement varies.

According to the director of VA's Office of Oversight and Effectiveness, the department's current organizational structure enables medical center directors to effectively respond to the needs of veterans and other clients using available resources. However, VA and VHA HR officials with whom we spoke said that the current organizational structure has limited the department's ability to oversee individual HR offices, improve hiring processes, train HR staff, and implement consistent classification processes. Further, as previously mentioned, the Commission on Care's June 2016 report identified numerous challenges related to VHA human capital. Among other things, the Commission found that VHA's current HR reporting structure does not allow VA's Assistant Secretary for HR&A to hold HR staff accountable for effective service delivery. The Commission recommended that VA and VHA assess their current HR business processes, management structures, and resource needs and develop a plan for transforming their human capital management.

Improvements to HR Functions Are Limited by VHA and VA Central HR Offices' Weak Oversight

According to the director of WMC at the time of our review, a former director of WMC and other VHA officials whom we interviewed, the lack of oversight by HR central offices of medical center HR offices has limited the department's ability to institute improvements to HR processes.[47] For example, in 2010 WMC established an HR Delivery Model to improve HR capacity through mandated HR staffing levels, expand training options, and consolidate selected HR functions at the VISN level. The model also identified steps to improve retention of HR staff, establish consistent performance measurement, and use data-driven metrics, among other things. However, according to the former WMC director who helped develop the model, VHA never fully implemented it because WMC was not given the authority of requiring HR offices to implement the actions outlined in the model. For example, medical center directors had the discretion to determine whether to follow the HR staff-to-employee ratios and increase HR staffing levels. Further, VISN directors could opt out of the recommended initiative to consolidate selected HR functions at the VISN level, such as retirement processing. Thus, VHA was unable to accomplish the model's key goals and, according to VHA officials with whom we spoke, it is no longer used by VHA's HR offices.

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[47]According to VHA officials, the WMC director with whom we spoke left VHA in June 2016.

No Monitoring of Potential Improvements	VHA's WMC and VA's Office of Oversight and Effectiveness both conduct reviews of medical center HR functions to ensure HR offices operate effectively and comply with federal laws and regulations.[48] Although these reviews result in recommendations and corrective actions, WMC and HR&A are not responsible for requiring medical centers to implement them. Further, the department does not track the extent to which medical centers have made the recommended improvements because they are not required to do so.

VHA monitors the effectiveness of its HR functions through periodic Consult, Assist, Review, Develop, and Sustain (CARDS) reviews.[49] In addition to assessing the effectiveness of key HR functions, CARDS reviewers also consider medical centers' HR capacity and the extent to which HR issues may impact patient access. The CARDS official we interviewed said that VHA generally conducts reviews at each medical center every 2 to 3 years based on specific criteria. While on site, the review team identifies problems and consults with the HR staff on how to address them. At the conclusion of the review, the team prepares and sends a summary of findings to the medical center and WMC director. However, WMC does not know the extent to which these recommendations have been implemented because the CARDS office is not required to centrally monitor the status of the recommendations.

According to the HR officials at the four VISNs we interviewed, the CARDS reviews and consults are useful. Two of the medical centers we visited stated that the status of CARDS recommendations is tracked at the VISN level. However, according to the CARDS director, medical centers vary in how quickly they implement CARDS recommendations. At times, the CARDS team has involved the VISN HR office to encourage the medical center to implement corrective actions. The CARDS director stated that this process is inefficient and ultimately ineffective for addressing problems.

Additionally, VA's Office of Oversight & Effectiveness reviews HR functions at each medical center HR office approximately every 7 to 8

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[48]Department of Veterans Affairs, *Human Capital Management Accountability Systems*, VA Directive 5024 (January 2012). VA's Oversight and Effectiveness Service is within HR&A.

[49]VHA established CARDS in 2011 to assist medical centers in complying with human resources requirements based in regulation and VA policy.

years.[50] And, similar to VHA, this VA office lacks the authority to ensure that medical centers address deficiencies identified in its reviews. According to the director of the Office of Oversight & Effectiveness, medical centers are required to provide status updates every 60 days until all required actions are completed. However, the official noted that medical centers do not always close out required and recommended actions. Without clear accountability mechanisms and information on the status of these recommendations, VHA has limited assurance of the effectiveness and efficiency of its HR operations.

Inconsistent Classification Process

Administered by the Office of Personnel Management (OPM), the federal classification system aligns a position's duties, responsibilities, and qualification requirements with rates of base pay in a standardized schedule.[51] Consistent with OPM's classification standards, VHA is required to place its positions in the appropriate class and grade.[52] Accurate and consistent position classification is important because it impacts employees' opportunities for pay increases, career-specific professional development and training, retention incentives, and promotion throughout their federal career.

The VHA officials we interviewed stated that the lack of direct lines of authority between the VA and VHA's central HR offices and medical center HR offices have led to inconsistent application of federal classification policies. According to VA's Compensation & Classification Service officials, inconsistencies in the classification process have occurred because, in some cases, the process for classifying positions has been consolidated and standardized within VISN classification units. In other cases, the HR offices at individual medical centers remain responsible for the classification function, impacting VHA's ability to consistently classify positions across the department.[53]

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[50]The Office of Oversight and Effectiveness compiles the results of on-site reviews and shares the results with the CARDS team and other offices within VA. The office also administers the Human Capital Self Evaluation to have field HR staff identify problem areas and create action plans to address them.

[51]5 U.S.C. § 5107.

[52]As of December 2013, approximately 73 percent of VA's workforce was classified using the General Schedule system.

[53]According to VA officials, as of July 2016, 15 VISNs have consolidated classification units.

In 2008, OPM issued decisions on classification appeals from Title 5 employees within VHA who felt they were improperly graded or classified.[54] Following these decisions, some medical centers began lowering the grades of selected positions in their facilities, while others did not. In 2012, VA subsequently ordered a temporary suspension of reductions in grade. This was designed to determine the underlying causes and possible solutions regarding an increasing number of changes to lower grade actions across VA. However, according to Compensation & Classification Service officials, VISNs and medical centers followed the temporary suspension issued by VA inconsistently. According to VA officials, the Assistant Secretary for Human Resources and Administration established a Classification Integration Team. This team is to develop options to consolidate classification functions and implement a formal structure resulting in greater consistency, compliance, and accountability. It is expected to present recommendations to the VA Senior Leadership Team by the end of fiscal year 2016.[55]

VHA officials recognize the impact that VHA's organizational structure has had on the delivery of HR functions to medical centers. For example, in October 2016 VA's Integration Office and the Assistant Secretary for HR&A introduced an initiative intended to transform HR processes and structures by better integrating headquarters and medical center HR operations. Further, the Assistant Secretary for HR&A informed us that the Secretary of Veterans Affairs is considering a proposal to consolidate the classification function at the VA level to reduce the possibility that positions will be classified differently across VISNs and medical centers. Additionally, the VHA WMC director at the time of our review told us that VHA is considering a proposal to consolidate HR functions at the VISN level. However, until VA and VHA address the organizational structure of HR, it will be unable to take significant steps to improve its capacity to perform HR functions.

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[54]These positions included HR specialists and assistants, medical support assistants, and police officers. Employees holding Title 5 positions can appeal the job series and grade of their positions to OPM. 5 U.S.C. § 5112.

[55]According to a VA official, VA's senior leaders were briefed in July 2016 regarding options for creating a more consistent and robust department-wide classification process. According to this official, VA stakeholders and subject matter experts are currently assessing the options, but the department has not decided when it will make final determination on the issue.

GAO-17-30 VHA Human Capital Review

VHA Reports Critical HR Competency Gaps, but Does Not Have Key Data to Accurately Identify and Address Them

Federal standards for internal control require an agency to ensure that its workforce is competent to carry out assigned responsibilities in order to achieve the agency's mission.[56] Additionally, our prior work has identified principles for human capital planning that recommend an agency identify skills gaps within its workforce, implement strategies to address these gaps, and monitor its progress.[57] An agency's skills gap can manifest as competency gaps in which an agency has individuals without the appropriate skills, abilities, or behaviors to successfully perform the work. Strategies to address these gaps include training and development activities focused on improving employees' skills needed for mission success.[58] Moreover, we previously reported that mission-critical skills gaps across the federal government pose a high risk because they impede the government from cost effectively serving the public and achieving results.[59] Because skills gaps can lead to costly, less-efficient government, we designated addressing agencies' mission-critical skills gaps as a high-risk area in February 2011.[60] As mentioned above, reinforcing the urgency of this issue, OPM has repeatedly identified HR specialists as one of the top mission-critical occupations with skills gaps across the federal government.

VA and VHA's current model for assessing the competencies of HR staff is incomplete and fragmented. Further, VHA HR central office does not have information on whether HR managers have conducted supplemental assessments of HR employees' knowledge of Title 38 and Title 38-Hybrid personnel systems. In June 2014, VA's Secretary issued a memo that provided the Assistant Secretary for HR&A the authority to require HR specialists and HR assistants to complete competency assessments and training to help address skills gaps. In turn, the Assistant Secretary for HR&A issued a directive in December 2014 that required HR staff to complete an annual competency self-assessment and work with their supervisor to develop a plan to address any skills gaps. According to an

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[56]GAO-14-704G.

[57]GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

[58]Training refers to in-person, virtual instructor-led, self-paced virtual courses, and a combination of virtual instructor-led and self-paced courses.

[59]GAO, *Federal Workforce: OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps*, GAO-15-223 (Washington, D.C.: Jan. 30, 2015).

[60]See GAO-15-290 for the most recent update on strategic human capital management.

HR&A official with whom we spoke, requiring these assessments resulted in 80 percent of VA HR staff completing a competency assessment in 2015, a vast improvement from prior years where the response rate was about 30 percent. Overall, the results of the HR staff assessments showed technical competency gaps in the areas of labor relations, position classification and management, and recruitment and staffing.[61] The assessments also identified skills gaps for entry-level HR staff, indicating a need for foundational training; and skills gaps for more experienced HR staff, indicating a need for more advanced training. However, the Assistant Secretary for HR&A no longer has the authority to require HR staff to complete competency assessments because the delegation of authority from the VA Secretary expired in June 2016. According to HR&A officials, the delegation had not been renewed as of October 2016. Thus, going forward, VA's ability to collect data on HR competencies is at risk.

VHA's director of Human Resource Development (HRD) told us that VA's competency assessment tool has helped them to identify HR staff's competency gaps related to the Title 5 personnel system. However, the model currently does not fully meet VHA's needs because it does not include comprehensive competency assessments for the Title 38 and Title 38-Hybrid personnel systems which are unique to VHA. To address this gap, HRD developed a separate, supplemental survey to assess the competencies of HR assistants and specialists on the Title 38 and Title 38-Hybrid personnel systems.[62] These surveys are available on HRD's website for HR supervisors to assess the competencies of their staff.[63] However, according to the director of HRD, her office cannot require VHA HR managers to complete the supplemental assessment for Title 38 and Title 38-Hybrid competencies—nor can it conduct its own assessments of HR field staff—because it does not have direct authority over the HR offices in the field. Further, according to this official, HRD does not collect results from the supplemental assessments or monitor the extent to which HR managers in the field have completed them.

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[61]According to HR&A officials, VA uses the results of its HR competency assessment to identify and prioritize training needs for HR staff.

[62]VHA developed this competency model for HR staff in 2011, which covers 67 competencies related to, for example, administering leave and conducting employee and labor relations for VHA employees under the Title 38 personnel system.

[63]In addition, every 2 years, HRD surveys VHA HR staff on their training needs. Training refers to in-person, virtual instructor-led, self-paced virtual courses, and a combination of virtual instructor-led and self-paced courses.

In the absence of current, complete data on VHA's HR staff competencies, VHA's internal human capital reviews have consistently found that HR staff competencies are not being assessed and HR staff lack the necessary skills to deliver high-quality services. For example, two 2015 CARDS summary reports of 29 total VHA HR offices found that HR officers did not assess the core competencies of their HR staff. Further, a 2013 facility-level CARDS review noted that the lack of trained VHA HR professionals has impacted the office's ability to provide quality and timely service.[64] According to the HRD director, VHA has approached VA about including the Title 38 and Title 38-Hybrid competencies in its assessment tool, but officials have not made a decision on the issue. Until the department develops a comprehensive competency assessment tool for its HR staff, and ensures that it is used, VHA will continue to have limited insight into the abilities of its HR staff. Further, it will not be positioned to provide the necessary support and training to ensure staff can meet VHA's human capital needs.

VA and VHA Provide a Variety of Training Programs, but HR Staff Face Barriers in Completing Them

Federal standards for internal control require agencies to train and mentor staff so that they can help the agency meet its goals.[65] Further, an agency's organizational structure should include a control environment that, among other things, maintains accountability and provides a framework for planning, directing, and controlling operations to achieve agency objectives.[66]

Both VA's HR Academy and VHA's HRD develop and provide training courses for HR staff.[67] For example, HR Academy provides online training on HR topics such as staffing, benefits, and position classification for all HR staff across VA. For its part, VHA's HRD develops and provides training on Title 38 and Title 38-Hybrid staffing procedures, employee and labor relations, and pay administration, among others.[68] The HRD training

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[64]Similarly, the September, 2015 *Independent Assessment* of VHA health care operations found that VHA's multiple competency models and programs are neither linked to career paths, nor well-coordinated. Thus, they do not effectively bolster VHA's talent pipelines.

[65]GAO-14-704G.

[66]GAO-14-704G.

[67]VA's HR Academy is an office within HR&A responsible for providing education, career development and VA-specific skills training exclusively for VA's HR staff.

[68]HRD also offers limited functional skill training on Title 5 personnel system staffing processes, classification, and employee and labor relations with a particular focus on a VHA application.

model includes quick reference guides on complex HR processes, monthly webinars, and short self-paced presentations. According to VHA documentation, HRD provides training on more complex HR topics through virtual or in-person classroom trainings. Our analysis of VHA data found that about 35 percent of HRD training contact hours were delivered to HR staff in person in fiscal year 2015.[69] See appendix II for additional information on training available to HR staff.

Although HR staff have the discretion to take training, HR leaders and staff at each VISN and facility we visited identified training and development as a challenge. HR officers and staff stated that insufficient training has increased the occurrence of preventable errors in HR services, which increases the overall workload and contributes to delays in providing HR services across the medical center. HR staff with whom we spoke described barriers to completing training. Specifically,

- **Lack of time to provide and take training.** According to HR staff at each of the medical centers we visited, most training takes place on the job; however this is difficult to provide because experienced HR staff have a heavy workload—from their own job responsibilities and covering the workload of HR vacancies—and lack the time to train new hires. A 2013 program evaluation of HR Academy reported that not having enough time was the most common barrier to training for employees. The same evaluation found challenges that employees experienced while attending virtual training, including distractions by coworkers during the session. According to VHA HR staff at two of the medical centers we visited, work-related interruptions are the most common problems that employees experience while participating in a virtual course.

- **Limited course offerings.** VA and VHA officials report that wait lists exist for both HRD and HR Academy courses. According to the director of VA's HR Academy, virtual courses fill up early due to limits on the number of courses and the number of participants per course. A VHA internal report on HRD training metrics found that 1,032 participants were wait-listed for HRD sponsored training courses in 2015. A VHA HRD official stated that it is challenging for HR employees to obtain training because it is either not offered in a timely manner or courses have a lengthy wait list.

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[69]A contact hour of training is defined as 1 hour of training for each attendee. For example, 4 hours of training for 25 attendees equals 100 training contact hours.

- **Limited in-person training.** VHA officials and HR staff at all four of the medical centers we visited expressed the desire for additional in-person training for some human capital functions, which they stated could be more effective than virtual courses. Further, HR staff stated that in-person training would be beneficial by providing staff opportunities to share information and build work relationships with their colleagues at other medical centers, VISNs, and VA and VHA central offices. However, according to the director of VHA's HRD, since 2011 in-person training from HRD has been limited due to resource constraints. Similarly, all VA HR Academy training is conducted virtually. Additionally, a 2013 HR Academy program evaluation found that participants wanted courses to be offered more frequently and had a preference for in-person training.

- **Reduced support for HR developmental programs.** Each year, VHA typically recruits about 30 to 40 entry-level HR trainees for a 2-year program to train with experienced HR staff who can provide in-depth mentoring and training. However, HR officers at two of the medical centers we visited stated that they no longer accept interns because their senior HR staff have excessive workloads and do not have time to train and mentor interns. According to a VHA official, VHA has recently reduced the number of intern slots, which limits its internal pipeline of potential HR talent.

In addition to these barriers, HRD cannot evaluate the extent to which current HR training strategies are effective and whether training programs have improved the skills and competencies of the workforce. According to the director of VHA's HRD office, medical centers and VISNs may designate an official or office to oversee HR training but this is inconsistent across VHA.[70] Similar to assessing HR staff competencies, HRD has no authority to oversee or monitor training at medical center and VISN HR offices, according to the director.

Until VHA develops an effective internal control environment for evaluating HR staff competencies and developing strategies to address skills gaps through training, achieving its mission and strategic goals will continue to be a challenge.

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[70]For example, according to this official, one medical center may designate the responsibility for HR training to its education office; another medical center may designate the responsibility to the HR officer. Some medical centers may not have a designated office or official to oversee HR training.

VHA Is Transitioning to a New HR Information Technology System

To have an effective internal control system, agencies should design their information systems to obtain and process information to meet operational needs.[71] Likewise, our prior work on strategic human capital management notes that high-performing organizations leverage modern technology to automate and streamline personnel processes to meet customer needs.[72] These organizations also use data to determine performance objectives and goals, identify their current and future human capital needs, and evaluate the success of their human capital approaches. Valid and reliable data are critical to assessing an agency's workforce requirements. They also heighten an agency's ability to manage risk by allowing managers to spotlight areas for attention before crises develop and to identify opportunities for enhancing agency results.

As noted in our 2015 High Risk report, VA faces long-standing, significant information technology (IT) challenges. These challenges include outdated, inefficient IT systems and fragmented systems that are not interoperable.[73] This IT environment has contributed to increased risks to the timeliness, quality, and safety of veterans' health care. Further, in May 2016 we reported that VA's department-wide HR system, Personnel and Accounting Integrated Data (PAID), is one of the federal government's oldest IT systems and that VA is in the process of replacing it.[74] At the time of our report, we noted that VA's effort to replace PAID was experiencing cost overruns of $14.8 million, and the department was assessing the extent to which it would be able to replace all of the legacy system's functionality. We recommended that VA identify and modernize its obsolete IT investments consistent with OMB's draft guidance for identifying and prioritizing legacy IT systems for modernization, including identifying time frames, activities to be performed, and functions to be replaced or enhanced. VA agreed with our recommendation and stated that it is planning to retire PAID in 2017.

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[71]GAO-14-704G.

[72]GAO-02-373SP.

[73]GAO-15-290. Interoperability is the ability of two or more IT systems or components to exchange information and to use the information that has been exchanged.

[74]GAO, *Information Technology: Federal Agencies Need to Address Aging Legacy Systems*, GAO-16-468 (Washington, D.C.: May 25, 2016).

At this time, VHA's HR IT systems are in a state of transition. As part of efforts to replace PAID, VA is currently developing and implementing an enterprise-wide, modern web-based system called HR Smart.[75] VA officials told us that HR Smart will be implemented in phases across the department. As of July 2016, the first phase of the system had been deployed at all VHA HR offices. The department is also currently planning the next phase of HR Smart's system development.[76] According to agency documentation, HR Smart will enable HR staff to better manage information on employee benefits and compensation; electronically initiate, route, and receive approval for personnel actions; monitor workforce planning efforts and vacancies by medical center and across the department; and generate reports and queries.

As VA continues to develop and implement its new HR system, VHA HR staff must rely on several, separate enterprise-wide IT systems to handle core HR activities such as managing personnel actions and hiring and recruitment efforts. At the time of our review, HR Smart had been deployed at one of the four medical centers we visited, and HR staff at that medical center stated that they use the system to process only selected HR functions.[77] Overall, HR staff from all four medical centers we visited stated that they enter HR data into multiple IT systems that are not interoperable.[78] Specifically, these systems include the following:

- **PAID.** PAID is VA's existing HR legacy system and the department's system of record for human capital data. PAID contains historical personnel actions, including promotions, transfers, changes in pay, and records of annual employee performance ratings and awards. VHA HR staff are currently required to enter all personnel data into PAID.

- **WebHR.** VHA implemented WebHR in 2008 to help automate some of its paper-based processes several years before VA began the HR

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[75]Note that we did not undertake a comprehensive assessment of HR Smart's system development and implementation as part of this review.

[76]According to VA officials and program documentation, this phase will include functionality to support self-service and an improved interface with USA Staffing.

[77]Orlando, Florida was the only medical center where HR Smart had been deployed at the time of our site visits.

[78]For example, currently, a personnel action may be initiated in WebHR by a VHA supervisor, but the HR staff need to manage the action using WebHR, HR Smart, and also record the outcome of the action in PAID.

Smart initiative. VHA managers use WebHR to submit a request for a personnel action to the HR office, electronically communicate with the HR staff, and upload documentation to support the action. In addition, HR staff can use WebHR to track information on staffing and recruitment. According to a VA official, managers and HR staff will continue to use WebHR because HR Smart does not yet provide managers the ability to electronically submit a request for a personnel action. According to program documentation, this functionality is tentatively planned to be delivered in HR Smart in 2017. A VHA official stated that they expect WebHR use to decrease in fiscal year 2017, and VHA will maintain some system functionality based on the needs of HR staff.

- **USA Staffing.** Each VHA HR office is required to use USA Staffing, a government-wide web-based system managed by OPM, to track and manage their federal hiring efforts. This system allows HR staff to develop and post job announcements, review applications, notify applicants of their status, and electronically manage onboarding activities for selected applicants. According to agency documents, VA is in the early stages of planning system integration between HR Smart and USA Staffing.

- **Local tools.** In addition to relying on the systems above, HR offices at the four medical centers we visited have developed stand-alone tools—such as spreadsheets, databases, and document-sharing sites—to support their day-to-day HR activities, generate management reports, and monitor progress on key HR efforts such as recruitment and hiring. According to the HR staff with whom we spoke, these tools were primarily developed to address long-standing functionality gaps in the enterprise-wide IT systems. For example, each of the four medical centers we visited had developed local tools to assist in tracking staffing and recruitment actions, and managing the annual employee performance appraisal process.

HR staff with whom we spoke stated that the amount of time they spent entering duplicate data into four or more non-interoperable systems and reconciling data between the systems has made their jobs more difficult. Specifically, HR staff stated that this has taken time away from performing other critical HR duties. According to VA, once HR Smart is fully implemented, it should reduce HR offices' reliance on multiple HR systems and local tools and help to streamline HR processes. For example, according to program documentation, VA plans to implement functionality in HR Smart that will allow managers to initiate, review, and approve basic personnel actions independently. In these cases, HR staff would no longer be responsible for data entry.

VHA Needs to Strengthen Employee Accountability and Engagement Efforts

VHA's Performance Management System Is Inconsistent with Leading Practices

Effective performance management is the integrated processes of planning, monitoring, developing, rating, and rewarding employee performance. In 2003, we identified a set of key practices to help agencies establish a clear "line of sight" between individual performance and organizational success. This includes making meaningful distinctions in employee performance; aligning individual performance expectations with organizational goals; linking pay, rewards, and incentives to individual and organizational performance; and providing and routinely using performance information to track organizational priorities.[79] In our prior work, we noted that effective performance management systems are not merely used for once- or twice-yearly individual expectation-setting and ratings processes, but are tools to help organizations manage on a day-to-day basis, achieve results, accelerate change, and facilitate two-way communication about individual and organizational performance.

At VHA, employees are appraised annually under one of two performance management systems using a five-level rating scale that ranges from "unacceptable" to "outstanding."[80] VHA employees hired under the Title 5 and Title 38-Hybrid personnel systems are appraised in accordance with federal regulation and procedural guidance outlined in VA's performance management policy. Under this system, VHA supervisors develop individual performance plans that reflect the employee's duties and responsibilities and the department's overall strategic goals and outcomes.[81] VHA employees hired under the Title 38 personnel system are appraised under a separate proficiency rating system based on

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[79]GAO-03-488.

[80]For example, under VA's Title 5 appraisal system an employee's final rating can be "unacceptable," "minimally satisfactory," "fully successful," "excellent," or "outstanding." In addition, VHA's Senior Executive Service (SES) or SES-equivalent employees—who comprise about 0.2 percent of VHA's total employee population—are rated under a separate, executive performance management process which is overseen by VHA's Performance Review Board.

[81]5 C.F.R. § 430; Department of Veterans Affairs, *Performance Management Systems*, VA Handbook 5013, Part I.

standardized performance competencies and measures.[82] For example, all VHA nurses are evaluated in four areas of nursing practice—clinical practice, professional development, collaboration, and scientific inquiry/research—using performance measures established for their specific level and grade.

VHA's Performance Management System Does Not Support Meaningful Distinctions, Limiting Its Ability to Hold Employees Accountable

As noted in our 2003 report, effective performance management requires an organization's leadership to make meaningful distinctions between acceptable and outstanding performance of individuals. Such distinctions serve as the starting point for candid and constructive conversations between supervisors and staff, add transparency to the ratings and rewards process, and enable leadership to appropriately reward those who perform at the highest level and, when necessary, address poor performance. At the same time, our work has shown that across the federal government, agencies have been challenged in applying the principles of meaningful distinctions based on relative performance—that is, performance of an employee with respect to the performance of others in the same (or similar) position. Such distinctions are central to ensuring that ratings are linked to performance-based awards and pay increases.

In January 2015, we found that more than 85 percent of career Chief Financial Officers Act agency Senior Executive Service (SES) employees were rated in the top two of five categories for fiscal years 2010 through 2013.[83] Further, in a closer examination of five departments for fiscal year 2013, we found that four departments awarded the same or higher performance awards to some senior executives with lower ratings. We recommended that OPM consider refinements to better ensure that the performance appraisal system certification guidelines for federal senior executives promote making meaningful distinctions in performance. OPM disagreed with our recommendation stating that, among other things, it could result in forced distributions in ratings. We noted that given the results of our data analysis, we remained concerned that meaningful distinctions in relative SES performance are not being made in a uniform

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[82]VHA's Title 38 Proficiency Rating System covers physicians, dentists, chiropractors, and nurses, among others. Department of Veterans Affairs, *Performance Management Systems*, VA Handbook 5013, Part II.

[83]GAO, *Results-Oriented Management: OPM Needs to Do More to Ensure Meaningful Distinctions Are Made in SES Ratings and Performance Awards*, GAO-15-189 (Washington, D.C.: Jan. 22, 2015). In this report, we noted that about 80 percent of VA's SES employees were rated in the top two rating categories in fiscal year 2013.

fashion and we maintained that OPM should consider additional action to ensure equity in ratings and performance awards across departments.

Similarly, specific to VHA executive performance management, the Commission on Care's final report recommended that the department establish standards and processes in the next 3 to 12 months to ensure that meaningful distinctions are made in executive leaders' performance.[84] The Commission identified several steps VHA should take to address this recommendation, including providing rating officials with adequate training and coaching on the SES performance management process, and requiring rating officials to establish meaningful performance plans for senior executives and engage in ongoing performance discussions and coaching.

Recently, we reported that performance ratings for the non-SES federal workforce also skew positively. In June 2016 we reported that, government-wide, about 74 percent of permanent, non-senior executive employees under a five-level performance appraisal system were rated as "outstanding" (38.6 percent) or "exceeds fully successful" (35.1 percent) in calendar year 2013. Conversely, 0.5 percent of employees were rated as "minimally successful," or "unacceptable."[85]

Our analysis of VHA's annual employee performance rating distributions show that about three out of four VHA employees were rated in the top two out of five categories in fiscal year 2014 (see figure 7 below). This is generally consistent with government-wide trends. Specifically, about 42.1 percent of employees were rated as "outstanding" and about 30.8 percent of employees were rated as "excellent."[86]

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[84]Commission on Care, *Final Report of the Commission on Care* (June 30, 2016).

[85]GAO, *Federal Workforce: Distribution of Performance Ratings Across the Federal Government, 2013*, GAO-16-520R (Washington, D.C.: May 9, 2016). As noted in our report, most permanent, non-SES employees are rated using a five-level performance appraisal system. Calendar year 2013 data were the most recent data available when we started this review.

[86]VHA uses the term "excellent" to describe the rating level between "fully successful" and "outstanding," as opposed to "exceeds fully successful." Further, in contrast to our government-wide ratings report (GAO-16-520R), our analysis of VHA rating distributions included all employees; that is, both SES and non-SES employees.

Figure 7: About Three out of Four Veterans Health Administration Employees Are Rated as "Outstanding" or "Excellent" on a 5-Level Performance Appraisal System, Fiscal Year 2014
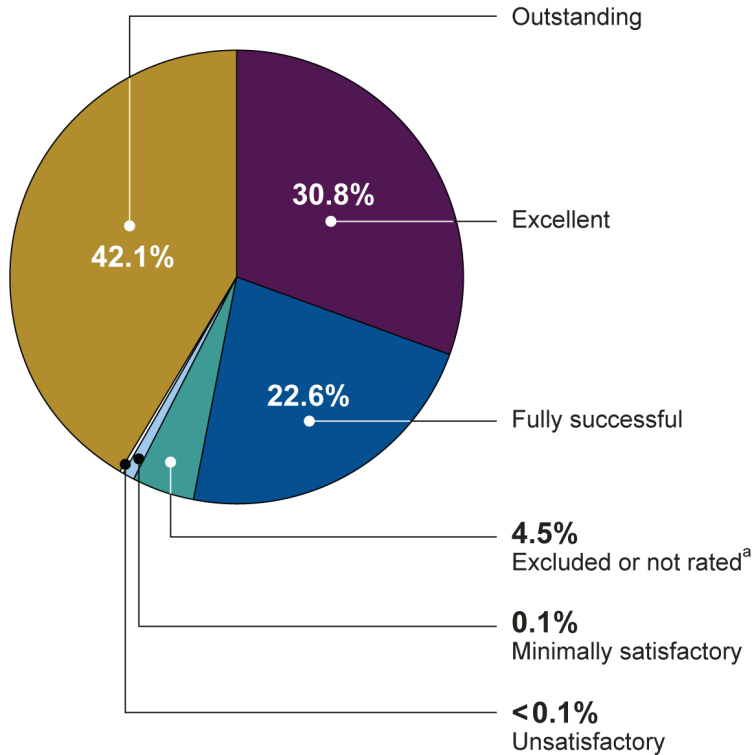
Source: Department of Veterans Affairs Personnel and Accounting Integrated Data, rating period ending fiscal year 2014. | GAO-17-30

Note: N=225,164 Veterans Health Administration (VHA) employees. Numbers may not add up to 100 percent due to rounding.

[a]Employees in the "excluded or not rated category" represent VHA employees without a rating of record for that year, due to, for example, not being in their position for at least 90 days prior to the rating year ending, or because they are on an alternate appraisal schedule.

In addition, the process of making meaningful distinctions sets the foundation for candid, constructive, and sometimes difficult conversations between supervisors and staff on their performance. As noted by the Merit Systems Protection Board, effective performance management depends on supervisors providing ongoing, tailored, and relevant feedback to employees to position them to do even better in the future.[87] Indeed, candid and constructive performance conversations that are

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[87]U.S. Merit Systems Protection Board, Office of Policy and Evaluation, *Performance Management Is More Than an Appraisal* (Washington, D.C.: December 2015).

timely, specific, and actionable help individuals maximize their contribution and potential for understanding and realizing the goals and objectives of an organization.[88] We have also found that such feedback is one of the strongest drivers of employee engagement.[89] To this end, our prior work has shown that it is important for agencies to ensure that new supervisors receive sufficient training in performance management.

Our analysis of VHA's 2015 Federal Employee Viewpoint Survey (FEVS) results shows that about 73 percent of VHA employees reported having performance conversations with their supervisor over the past 6 months. However, FEVS results also show that less than 60 percent of VHA employees felt that these conversations were worthwhile or resulted in constructive feedback (see figure 8). The trends at VHA are only slightly below the government-wide average. Nevertheless, the results suggest that not all VHA supervisors provide employees with relevant, actionable performance feedback, and there is considerable room for improvement.

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[88]See, for example, GAO-15-585 and GAO-03-488.

[89]GAO-15-191 and GAO-15-585.

Figure 8: Veterans Health Administration Employees' Perceptions of Performance Conversations and Their Effectiveness, Federal Employee Viewpoint Survey, 2015

Percent positive response

Survey questions

Government-wide

Veterans Health Administration
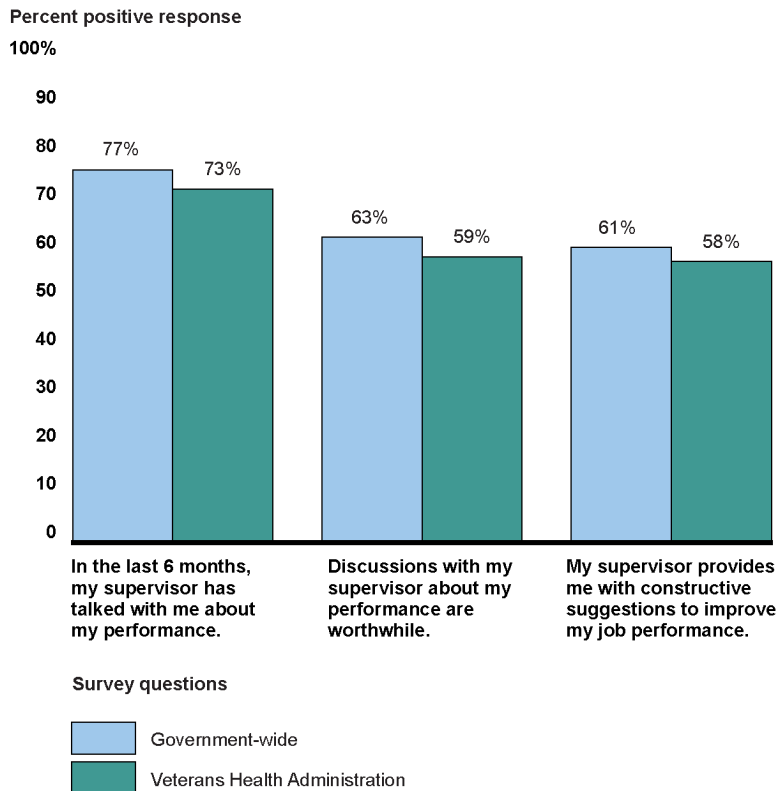
Source: GAO analysis of Federal Employee Viewpoint Survey data, 2015. | GAO-17-30

Note: N=about 407,810 government-wide survey respondents, and N=about 19,360 Veterans Health Administration survey respondents.

At each of the four medical centers we visited, we found mixed perceptions of the employee performance management systems. For example, some front line staff stated that, because their current supervisor has invested time and effort into the process, they had received a fair and favorable rating. However, other front line staff and supervisors with whom we spoke stated that the performance management system is regarded as a "paper exercise," and that the process itself puts little emphasis on employee improvement. Several of the supervisors with whom we spoke, particularly new supervisors, expressed concern that they had never received the necessary training to implement the performance management system effectively, including understanding the differences between the Title 5 and Title 38 processes. HR officials at one of the medical centers we visited stated that the

training for supervisors on the performance management system is high-level and often combined with other human capital topics. They said it could be more detailed. Further, several HR officials with whom we spoke stated that they hold performance management workshops for supervisors during the year. However, according to HR officials, those who could benefit most from these workshops—such as new supervisors—often do not take advantage of them because they do not have the time.

Our prior work has shown that the transparency and credibility of the performance management process is enhanced when meaningful performance distinctions are made. This helps to ensure that pay, reward and recognition decisions are based on employees' performance and results.[90] However, VHA may be challenged in making meaningful distinctions in employee performance because only one out of three performance levels is required to be defined for employees under its Title 5 performance appraisal system. Specifically, federal regulation and VA's performance management policy state that employee performance standards shall be established at the "fully successful" level and may be established at other levels.[91] VA's policy states that supervisors may define standards for the other performance levels in employee performance plans if they choose. As a result, performance standards at the "unacceptable" and "exceptional" levels may not be defined, communicated, and applied to all VHA employees.[92] Although VA's approach meets the minimum requirement outlined in federal regulation, it is nevertheless inconsistent with leading practices for making meaningful distinctions in relative performance.[93] That is, it is difficult to appraise employees relative to their peers without first defining clear expectations and standards for each level of performance. This also helps to ensure the overall integrity and credibility of the agency's performance

[90]GAO-03-488.

[91]5 C.F.R. § 430.206(b)(8)(i)(B) and Department of Veterans Affairs, *Performance Management Systems*, VA Handbook 5013, Part I.

[92]Employees under the Title 5 performance management system are first rated on each performance element (that is, a component of a position sufficiently important to warrant appraisal) as "unacceptable," "fully successful," or "exceptional." Based on these results, the employee's final "summary" rating is assigned. The summary rating is on a five-level scale from "unacceptable" to "outstanding." Department of Veterans Affairs, *Performance Management Systems*, VA Handbook 5013, Part I, defines criteria for assigning summary ratings.

[93]Minimum requirements are established at 5 C.F.R. § 430.206(b)(8).

management system. Given that three out of four VHA employees are appraised above the "fully successful" level, it is possible that employees have been assigned an "exceptional" rating with little understanding of what constitutes performance at this level or how they can improve their performance in the future.

To understand the extent to which supervisors have established standards for employee performance above or below the "fully successful" level, we reviewed a sample of fiscal year 2015 employee performance plans for VHA medical support assistants, a common position across VA medical centers.[94] Performance plans are central to the appraisal process in that they establish what employees are expected to do and how well they are expected to perform.[95] Overall, we found that 30 out of 32 (94 percent) of the plans met the minimum requirement for defining a "fully successful" level of performance for critical performance elements, and 12 out of 32 (38 percent) included standards for achieving an "exceptional" level of performance.[96] However, none of the plans included standards that correspond to an "unacceptable" level of performance, and 4 plans showed the same standards for achieving a "fully successful" level as an "exceptional" level of performance on one critical element.

In addition, other aspects of VHA's performance appraisal process have the potential to be improved to help supervisors make meaningful

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[94]Based on this, we reviewed a nongeneralizable sample of 32 performance plans from the four medical centers we visited. Specifically, we reviewed performance plans for the fiscal year 2015 rating period for GS-6 medical support assistants, who are covered by the Title 5 performance management process. Employees in this position generally have similar duties—such as coordinating clinic operations, scheduling appointments, and communicating information to patients.

[95]Under VA's performance management policy, supervisors are generally responsible for developing performance plans for their employees. Department of Veterans Affairs, *Performance Management Systems*, VA Handbook 5013, Part I. According to OPM guidance, developing performance elements and standards that are understandable, measurable, attainable, fair, and challenging is vital to the effectiveness of the performance appraisal process. Supervisors are expected to update an employee's performance plan as needed and provide it to the employee at the beginning of each appraisal period. OPM, *A Handbook for Measuring Employee Performance: Aligning Employee Performance Plans with Organizational Goals* (Sept. 2011).

[96]A critical element is a work assignment or responsibility of such importance that unacceptable performance on that element would result in an overall employee rating of "unacceptable." Under federal regulation, an employee's performance plan must include at least one critical element. 5 C.F.R. § 430.206(b)(4).

distinctions in employee performance and enable leaders to compare employee performance across VHA. For example, during our review of a sample of performance plans for medical support assistants, we observed that each supervisor generally identified a different combination of competencies on which to appraise their employees, even within the same medical facility. Although we recognize that it is important to allow for flexibility in defining competencies that appropriately reflect an employee's duties, VHA's current approach may limit its ability to monitor how employees in the same position are performing relative to their peers within the facility or VISN, or across VHA.[97] Further, several supervisors with whom we spoke expressed frustration with the lack of standardized competencies for common positions across VHA, such as for medical support assistants and police officers.[98] According to the individuals with whom we spoke, a more consistent approach to competencies could lessen the administrative burden on supervisors in developing annual performance plans. Supervisors could instead use this time to have performance and professional development discussions with staff.

Our analysis of performance plans for medical support assistants cannot be generalized to a broader population. Nevertheless, our analysis indicates that VHA may be challenged in making meaningful distinctions in employee performance because its performance management policy requires that only one out of three performance levels be consistently defined in the annual appraisal process. Currently, VA's Title 5 performance management policy states that "[employee] performance may be determined to be at the levels other than Fully successful even though standards are not established at those levels."[99] Further, VHA may not be positioned to compare employees' performance relative to their peers because employees in the same position—even within the same medical center—can be rated on a different set of competencies. Without effective policies and processes to assist all supervisors in

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[97]VA's Title 5 performance management policy states that the department supports a "flexible appraisal system" that provides individual supervisors the authority to tailor annual performance plans to each employee, including selecting critical elements and associated metrics for achieving a "fully successful" rating. Department of Veterans Affairs, *Performance Management Systems*, VA Directive 5013 and VA Handbook 5013, Part I.

[98]VHA central office officials informed us that they are currently conducting a pilot program to standardize performance competencies and standards for VHA police officers.

[99]Department of Veterans Affairs, *Performance Management Systems*, VA Handbook 5013, Part I.

making meaningful distinctions in performance, VHA may be challenged in holding employees accountable.

Continued Efforts to Improve the Timeliness of Performance Plans Could Help Employees Understand How Individual Performance Contributes to Organizational Results

As noted in our leading practices on employee performance management, high-performing organizations align employees' daily activities and performance expectations with organizational goals, thus creating a "line of sight" that enables employees to see how their roles and responsibilities contribute to results.[100] This is accomplished, in part, by aligning performance expectations of top leadership with organizational goals, then cascading those expectations down to lower levels of the organization. Consistent with this practice, the VHA central office develops an annual performance plan template for its network and medical center directors to provide a framework for linking individual performance with organizational priorities and goals and holding employees accountable.[101] This template serves as the basis for all VHA employee plans for that year, cascading to each medical center's leaders, department heads and front-line employees.[102]

For the last several years, VHA's central office issued the annual network directors' performance plan template several months after the rating period began, limiting medical center supervisors' ability to use the performance plan as a tool to align expectations and performance and giving employees less time to focus on meeting annual goals. According to VA policy, each senior executive's performance plan is to be finalized no later than 30 days after the rating period has begun, generally by November 1. However, VHA officials told us that since 2011, the template on which the network directors' plans are based has not been released until February. This has delayed the process of updating and finalizing all employee performance plans for the appraisal year. Officials in VHA's Office of Executive Performance Management explained that the process to develop, finalize, and release the network directors' performance plan

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[100]In addition, federal standards for internal control activities state that performance evaluations, supplemented by an effective award system, should be designed to help employees understand the connection between their performance and the organization's success (GAO-14-704G).

[101]Network directors are the senior executives responsible for oversight of all the medical centers in their respective VISNs.

[102]Each VHA employee under the Title 5 performance management system is required to have an annual performance plan. Employees under the Title 38 process do not have this requirement (Department of Veterans Affairs, *Performance Management Systems,* VA Handbook 5013, Parts I and II).

can take almost a year. This is due, in part, to shifting organizational priorities and the time it takes to coordinate with VHA leadership to review and approve changes to the plan. In addition, performance plan timelines are impacted when new performance requirements are added to the plan late in the process because changes must be reviewed and discussed with all stakeholders.[103]

Supervisors at three medical centers we visited stated that in the absence of the network directors' performance plan, they must use the employee's performance plan from the previous year. After the network directors' plan is released, supervisors update and finalize the performance plans for their respective employees. However, according to several employees with whom we spoke, the delay in finalizing performance plans means that employees may not fully understand what they are being rated on from the outset and may not be rated on a full year's worth of work. In addition, several supervisors with whom we spoke stated that they have struggled with both meaningfully translating the department's strategic priorities and capturing employees' core responsibilities when developing performance plan elements. This has been particularly difficult for supervisors of front-line employees.

To its credit, the department has taken steps to improve the timeliness of the fiscal year 2017 network directors' performance plan. According to a VHA official, the plan was finalized and provided to VHA network directors at the end of October 2016. However, according to this official, VA's HR&A had not yet released guidance to the network directors for implementing the plan and has not established a timeline for doing so. As part of its efforts, it will be important for HR&A to provide clear guidance so that supervisors at every level of VHA can effectively cascade the revised performance elements to their employees' performance plans and establish a "line of sight" between employees' daily responsibilities and organizational outcomes.

VHA's Ratings-Based Award Programs May Lack Effective Incentives to Improve Employee Performance

High-performing organizations seek to create effective incentive and reward systems that clearly link employee knowledge, skills, and contributions to organizational results. At the same time, these systems must be valid, reliable, and transparent to effectively recognize and encourage exceptional employee performance. VHA has two

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[103]Stakeholders include the Under Secretary for Health and VHA's National Leadership Council. The National Leadership Council is the advisory body for decision making within VHA. It is composed of seven committees, including one for workforce issues.

performance rating-based award programs: a cash-award program, for which all employees who receive a rating of at least "fully successful" are eligible, and a quality step increase (that is, salary increase) program, which is limited to Title 5 employees who receive a rating of "outstanding" and meet agency-specific criteria.[104]

Based on our analysis of VHA data following the 2014 employee appraisal period, VHA awarded

- about 74 percent of eligible employees with a ratings-based cash award, with an overall average award of $915; and

- about 0.2 percent of eligible employees with a quality step increase, with an average salary increase of $3,277.[105]

Although about three out of four eligible VHA employees received a ratings-based cash award, our analysis of VHA's 2015 FEVS results shows that about one in three employees positively view how their performance relates to awards and agree that differences in performance are recognized in a meaningful way (see figure 9 below). Further, about one in five employees report that they believe pay raises are based on job performance. VHA employees' views of the relationship between performance and reward systems do not differ greatly from the government-wide data; nevertheless, the results indicate that employees are dissatisfied with aspects of VHA's reward systems.

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[104]Agencies are permitted to provide performance-based cash awards to eligible employees under 5 U.S.C. § 4505a. VA policy requires that the employee's "fully successful" rating must include the attainment of an "exceptional" achievement level on at least one critical element to be eligible for an award (Department of Veterans Affairs, *Employee Recognition and Awards*, VA Handbook 5017).Under the authority of 5 U.S.C § 5336 and VA policy, Title 5 employees in the GS pay system are eligible for an additional step increase which is intended to recognize high-quality performance during the last appraisal cycle. However, an employee is eligible for only one additional step increase within any 52-week period. These quality step increases are not automatic; they are recommended by the employee's supervisor and are granted at the discretion of management.

[105]In 2012, we reported that 3.4 percent of GS employees across the federal government received a quality step increase in fiscal year 2011 (GAO, *Federal Workers: Results of Studies on Federal Pay Varied Due to Differing Methodologies,* GAO-12-564 (Washington, D.C.: June 22, 2012)). OPM notes that agencies should consider the long-term costs of awarding a quality step increase, as it represents an increased cost to an agency on an ongoing basis, unlike a lump-sum cash award.

Figure 9: Veterans Health Administration Employees' Perceptions of the Link between Performance and Reward Systems, Federal Employee Viewpoint Survey, 2015

Percent positive response

Survey questions

- Government-wide
- Veterans Health Administration
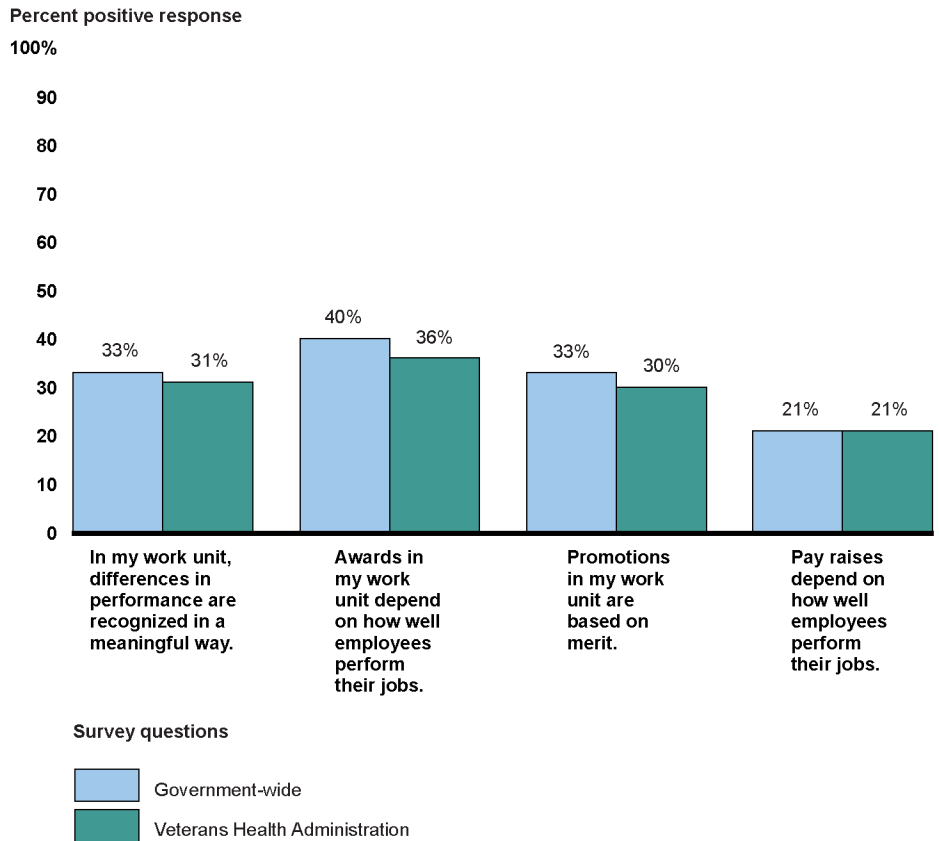
Source: GAO analysis of Federal Employee Viewpoint Survey data, 2015. | GAO-17-30

Note: N=about 390,180 government-wide survey respondents, and N=about 19,020 Veterans Health Administration survey respondents.
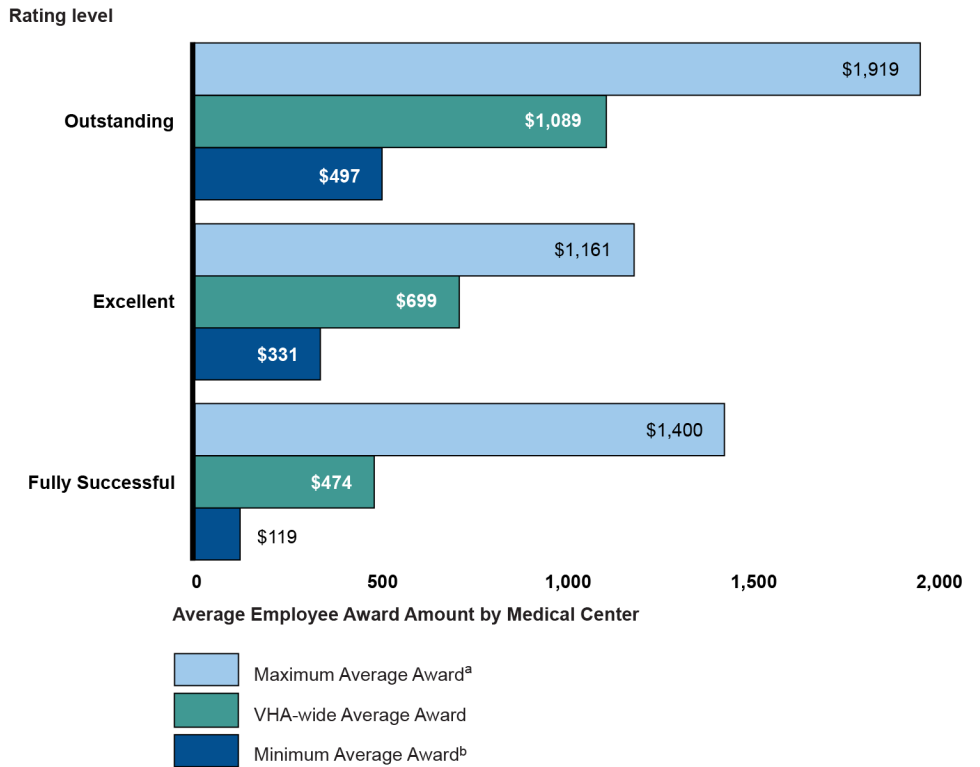
To better understand what may be contributing to employees' views on awards, we analyzed VHA policy documents and data on VHA's ratings-based cash award program. We found that, as a result of VA policy, medical centers vary in how they determine which rating levels qualify for an award and the dollar amounts associated with each performance level. Specifically, our analysis showed that, following the fiscal year 2014 appraisal period

- a total of 103 medical centers provided ratings-based cash awards to employees who received a rating of "fully successful" and above, and 36 medical centers provided awards to employees who received an "excellent" or "outstanding" rating;[106] and

- the average employee award amount by medical center varied by as much as about $1,300 for "fully successful," $800 for "excellent," and $1,400 for "outstanding" rating levels (see figure 10 below).[107]

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[106]Note that one medical center was excluded from this analysis because the data showed that 10 or fewer employees had been rated during the fiscal year 2014 appraisal period. One of the medical center directors we spoke with stated that one reason for restricting ratings-based awards to the top two performance categories is to be able to provide larger awards to the highest performing employees.

[107]Our data analysis showed that overall, the average amount for a ratings-based cash award in the "excellent" and "outstanding" rating categories was about the same regardless of whether the medical center provided awards to employees at the "fully successful" level. Our analysis of awards data was limited to ratings-based awards and quality step increases.

Figure 10: Average Rating-Based Cash Award Amounts Vary by Department of Veterans Affairs (VA) Medical Centers, Award Following Fiscal Year 2014 Appraisal Period

Rating level

Average Employee Award Amount by Medical Center

Maximum Average Award[a]

VHA-wide Average Award

Minimum Average Award[b]

Source: Department of Veterans Affairs Personnel and Accounting Integrated Data. | GAO-17-30

Note: For "fully successful" rating level, N=103 VA medical centers; for "excellent" and "outstanding" rating levels, N=139 medical centers.

[a]"Maximum average award" represents the medical center with the highest average award amount for that rating level.

[b]"Minimum average award" represents the medical center with the lowest average award amount for that rating level.

The variation in ratings-based cash awards by medical center stems from how VA's awards policy has been implemented differently across VHA. The policy delegates authority over award programs to individual VISN and medical center directors.[108] As a result, some VISN and medical

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[108]For example, based on our discussions with VA and VHA officials, several VISNs have established policies on ratings-based cash awards that apply to all medical centers in the VISN. In the absence of a VISN-wide policy, medical center directors can establish their own policy regarding which rating levels can receive a cash award.

center directors have established policies that, for example, limit awards to employees who receive a rating in the top two categories. Similarly, according to officials with whom we spoke, some directors choose to allocate cash award amounts by percent of employee salary, while others establish a flat award rate for each rating level.[109] Although we recognize that it is important to provide flexibility to medical center and VISN directors in administering their programs, the current policy may not be consistent with leading practices for establishing award programs that effectively link employee performance to awards and encourage exceptional employee performance.

Employees at each of the four medical centers we visited provided additional views on the effectiveness of VHA's award programs. For example, employees at several of the medical centers we visited stated that beyond an annual ratings-based award, timely and appropriate recognition by supervisors and top leadership can boost employee morale significantly. This can be as simple as a thank you or a certificate of appreciation. Further, several employees noted that the day-to-day interactions with veterans is what motivates them to work harder. Several employees with whom we spoke expressed frustration with the fact that ratings-based awards can be handled differently from one medical center to another. For their part, several supervisors with whom we spoke stated that ratings-based awards do not necessarily reward exceptional performance. Further, according to one of the VISN officials we spoke with, government-wide constraints on agency award budgets have made it difficult to provide significantly higher cash awards to top performers, and medical centers have also had to curtail the use of smaller nonmonetary award programs.[110]

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[109]VA's awards policy states that when calculating award amounts, VISNs and medical centers must ensure that employees with higher ratings of record receive larger cash awards than those with lower ratings. For example, a GS-5 with an "outstanding" rating must receive a higher dollar amount than a GS-5 who received an "excellent" rating.

[110]For fiscal year 2014, the Office of Management and Budget and OPM established that agencies must limit award spending to no more than 1 percent of total aggregate salaries and not exceed fiscal year 2012 spending levels for performance-based awards for non-SES employees. Office of Management and Budget, and Office of Personnel Management, *Memorandum for Heads of Executive Departments and Agencies: Guidance on Awards for Fiscal Year 2014*, M-14-02, at 2 (Nov. 1, 2013). The Office of Management and Budget and OPM also established similar spending limits on performance-based awards for fiscal years 2015 and 2016.

Effective performance management systems include mechanisms to reward high-performing employees and have the potential to motivate employees to do even better in the future. As described above, VHA's current ratings-based awards program may not be effective in helping VHA meet these goals. Until the department identifies a more effective approach to rewarding employees, it may be challenged in improving employee morale and retention.

Lack of a Modern IT System and Reliance on Paper-Based Processes Limit VHA's Ability to Support Performance Management Activities and Identify Opportunities for Improvement

Our prior work has shown that effective performance management systems provide and routinely use objective and timely performance information to track progress toward achieving organizational priorities and goals, pinpoint improvement opportunities, and compare individuals' performance against their peers.[111] Similarly, leading practices for strategic human capital management recognize that valid and reliable data are critical to an agency's ability to manage risk, identify areas for attention, and identify opportunities for enhancing agency results.[112]

While VHA captures data on a wide range of organizational performance measures, it is limited in its ability to capture reliable, timely, department-wide employee performance information because it does not have a modern enterprise-wide IT system to help manage the performance appraisal process.[113] Currently, HR staff record summary employee performance ratings and ratings-based award amounts in VA's PAID system, the department's primary HR IT system. However, this 50 year-old legacy system was not designed to help supervisors manage the performance appraisal process or track performance management data trends. And, according to VHA officials responsible for managing the

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[111]GAO-03-488. In addition, *Standards for Internal Control in the Federal Government* state that management should use quality information to support the internal control system and achieve the entity's objectives. Further, management should evaluate data for reliability and obtain data in a timely manner so it can be used for effective monitoring (GAO-14-704G).

[112]GAO-02-373SP.

[113]For example, through its Strategic Analytics for Improvement and Learning effort, VHA captures organizational performance metrics in 27 areas related to quality of medical care, including patient satisfaction and nurse turnover rates.

system, the data in PAID are not always recorded by HR staff in a timely and accurate manner.[114]

Because of the lack of a modern performance management IT system, VHA's performance appraisal process is rooted in paper-based procedures that contribute to operational inefficiencies. For example, at the four medical centers we visited, supervisors submit performance plans and performance appraisal forms to their local HR office. According to officials with whom we spoke, HR staff then scan the forms (if needed) and upload them to a document repository.[115] At the end of the appraisal period, HR staff review these documents to ensure they meet policy requirements and include sufficient information to support the employee's rating. In the absence of a performance appraisal IT system, each medical center we visited has developed local tools, such as a spreadsheet, to manually track employees' appraisal timelines and status, final ratings, and ratings-based awards.[116] Two HR offices also rely on these tools to report local ratings or award distributions to the VISN director.

VHA's lack of a modern performance appraisal IT system and continued reliance on paper-based processes has also contributed to administrative burdens on the HR staff with whom we spoke. For example, at one medical center we visited, the HR director explained that he must detail several staff for about a month at the end of the fiscal year to complete the annual performance management activities. This involves redistributing work among the remaining HR staff, effectively increasing the workload of already overworked employees and limiting their ability to perform other critical HR functions, such as hiring clinical staff.

[114]For example, VHA officials told us that the data field in PAID to record employee performance awards is also used to record employee salary. This is confusing to data entry clerks and can contribute to data entry errors.

[115]Officials at VA central office stated that all medical center HR offices generally follow this process. HR officials at one medical center we visited stated that they make performance management forms available to employees in electronic format (i.e., in PDF) to help minimize the need for scanning.

[116]HR officials at one of the medical centers we visited stated that these systems are critical for tracking performance appraisals for employees under the Title 38 performance management system, who are not rated on a fiscal year cycle, but on their work anniversary.

According to VA officials, in 2012 the department began piloting a performance appraisal IT system at several facilities.[117] However, this effort has not moved beyond the pilot stage and, according to VA officials, the department has yet to decide how to address the issue going forward. In May 2016, VA's Chief Human Capital Officer agreed that the paper-based performance management processes are outdated and cumbersome for employees. She stated that VA has just begun to explore options for redesigning its entire approach to employee performance management. This includes considering potential enterprise systems to help automate the appraisal process. In addition, as we reported in May 2016, VA is in the process of consolidating its HR IT functions and services, including functions currently handled by PAID.[118] However, these plans currently do not include system capabilities to support employee performance management activities. Until the department decides how to address this issue, VHA will continue to rely on paper-based processes. Thus, it will not be positioned to leverage employee performance data to help identify trends, potential problems, and opportunities for organizational improvement.

VHA Can Better Support Medical Centers in Understanding Employee Engagement Trends and Developing Effective Local Engagement Strategies

Employee engagement refers to the sense of purpose and commitment employees feel toward their employer and its mission. High levels of employee engagement are particularly important at VHA, where employees are responsible for the health and well-being of our nation's veterans. A growing body of research on both private- and public-sector organizations has found that increased levels of employee engagement can lead to better organizational performance.[119] In 2014, the administration directed agency leaders to promote a culture of employee engagement and performance using a continuous process improvement approach of (1) reviewing and analyzing employee feedback from multiple sources, such as survey data, to identify current challenges and establish engagement initiatives and goals; (2) implementing actions and initiatives;

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[117]According to VHA officials, this system, called ePerformance, was piloted to a limited number of sites as a proof of concept in 2012. Officials stated that VHA continues to pilot ePerformance and incorporate customer feedback into the system.

[118]GAO-16-468.

[119]Office of Personnel Management, *2014 Federal Employee Viewpoint Survey Results: Employees Influencing Change: Government-wide Management Report* (Washington, D.C.: 2014).

and (3) monitoring progress to inform next steps.[120] The administration also established a goal of increasing the government-wide Employee Engagement Index (EEI) to 67 percent in 2016.[121] In 2015, VHA's estimated EEI was 62 percent.[122] This is generally consistent with VA's EEI of 61 percent for 2015, and about 2 percentage points lower than the 64 percent government-wide score.

Our prior work on employee engagement found that what matters most in improving engagement levels is valuing employees—that is, an authentic focus on their performance, career development, and inclusion and involvement in decisions affecting their work.[123] In 2015, we identified six organizational practices, or drivers, that best predicted high levels of employee engagement. Specifically, our analysis of government-wide data from OPM's 2014 FEVS showed that having constructive performance conversations was the single strongest driver of employee engagement, followed by career development and training. The remaining four drivers—work-life balance, an inclusive work environment, employee involvement, and communication from management—were all equally influential on the EEI based on our work. Our prior work also showed that VA's FEVS responses were generally consistent with this government-wide analysis of employee engagement drivers.[124]

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[120]Office of Management and Budget, Office of Personnel Management, and Executive Office of the President, *Memorandum for Heads of Executive Departments and Agencies: Strengthening Employee Engagement and Organizational Performance*, M-15-04 (Dec. 23, 2014). For the purpose of this report, we refer to these offices as "the administration."

[121]The administration established this goal in 2014, when the government-wide EEI was 63 percent. The EEI is derived from OPM's annual FEVS and is intended to capture federal employees' overall perceptions of their workplace. According to OPM, the EEI does not directly measure employee engagement, but monitors the organizational conditions that can lead to employee engagement. The EEI is derived from 15 FEVS questions related to employees' feelings of motivation and competency, perceptions of their relationship with their supervisor, and perceptions of leadership behaviors and integrity.

[122]The estimate for the VHA EEI has sampling variability of plus or minus 0.4 percentage point at the 95 percent level of confidence.

[123]GAO-15-585.

[124]See GAO-15-585, appendix III and IV.

While VHA has made progress in some areas of employee engagement, there are opportunities for improvement in other areas and at specific medical centers. Going forward, it will be important to VHA and the medical centers to better understand the factors driving their data and take appropriate action.

Our analysis of recent FEVS responses shows that, overall, VHA employees were less satisfied than the government-wide average on all six drivers of employee engagement (see table 1 below). Between 2014 and 2015, VHA employees' views on constructive performance conversations, career development and training, and work-life balance improved slightly. Similarly, employee views on an inclusive work environment and employee involvement declined slightly.

Table 1: Government-wide and Veterans Health Administration (VHA) Federal Employee Viewpoint Survey (FEVS) Results by Six Drivers of Employee Engagement, 2014-2015

FEVS results	Constructive performance conversations		Career development and training		Work-life balance		Inclusive work environment		Employee involvement		Communication from management	
	Gov-wide average	VHA	Gov-wide average	VHA	Gov-wide average	VHA	Gov-wide average	VHA	Gov-wide average	VHA	Gov-wide average	VHA
2015	61%	58%	61%	58%	78%	70%	63%	57%	50%	44%	47%	43%
2014	61%	57%	59%	57%	77%	69%	63%	58%	48%	45%	46%	43%

Source: GAO analysis of Office of Personnel Management FEVS data. | GAO-17-30

Notes: These six drivers of employee engagement were identified in GAO-15-585.

VHA estimates for the six drivers of employee engagement have sampling variability of no more than plus or minus 0.6 percentage points at the 95 percent level of confidence.

Our analysis of VHA's 2015 FEVS results also shows that 18 of 140 medical centers (13 percent) had an EEI at or below 55 percent. These medical centers had an EEI at least 7 percentage points below the VHA-wide average score and at least 9 points below the government-wide average score.[125] This suggests that a number of medical centers need to focus more on understanding their drivers of employee engagement and developing effective strategies to ultimately improve organizational performance.

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[125]For these 18 medical centers, EEI scores ranged from 49 percent to 55 percent (rounded to the nearest percent).

Other Measures of Organizational Health Indicate That VHA Can Better Support Employees

Our July 2015 report on federal employee engagement noted that an agency's EEI score should be used as one of several data sources as leaders attempt to develop a comprehensive picture of engagement within an organization and better target their engagement efforts, particularly in times of limited resources.[126] In addition to the FEVS, VHA relies on survey results from the department's annual, census-based All Employee Survey (AES). The AES is important for monitoring employee engagement at VHA because it measures different aspects of the employee experience that are not captured by FEVS questions. For example, the AES is intended to gauge employees' connection to VA's mission, perceptions of civility and psychological safety at work, and the extent to which employees feel supported by the department.[127]

Current literature on employee engagement recognizes that engaged employees take pride in their work, are passionate and energized by what they do, and are committed to the organization and its mission. Over the past 4 years, VHA's AES results show that, on average, more than 80 percent of VHA employees have reported a sustained, strong personal connection to VA's mission. Yet, during the same time, less than half of VHA employees agree that VA cares about their general satisfaction at work. Moreover, AES results show that VHA employees' overall satisfaction with the department declined by more than 5 percentage points between 2013 and 2015 (see figure 11 below).

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[126]GAO-15-585.

[127]VHA's National Center for Organization Development (NCOD) administers the AES and analyzes the results. NCOD defines psychological safety as the degree to which employees trust that asking questions, sharing new ideas, raising concerns, disclosing honest mistakes, and reporting violations will not be penalized or perceived negatively in the workplace.

Figure 11: Veterans Health Administration Employees Are Strongly Committed to VA's Mission, but Perceive Low Levels of Organizational Support, Percent Positive Responses, All Employee Survey, 2012-2015
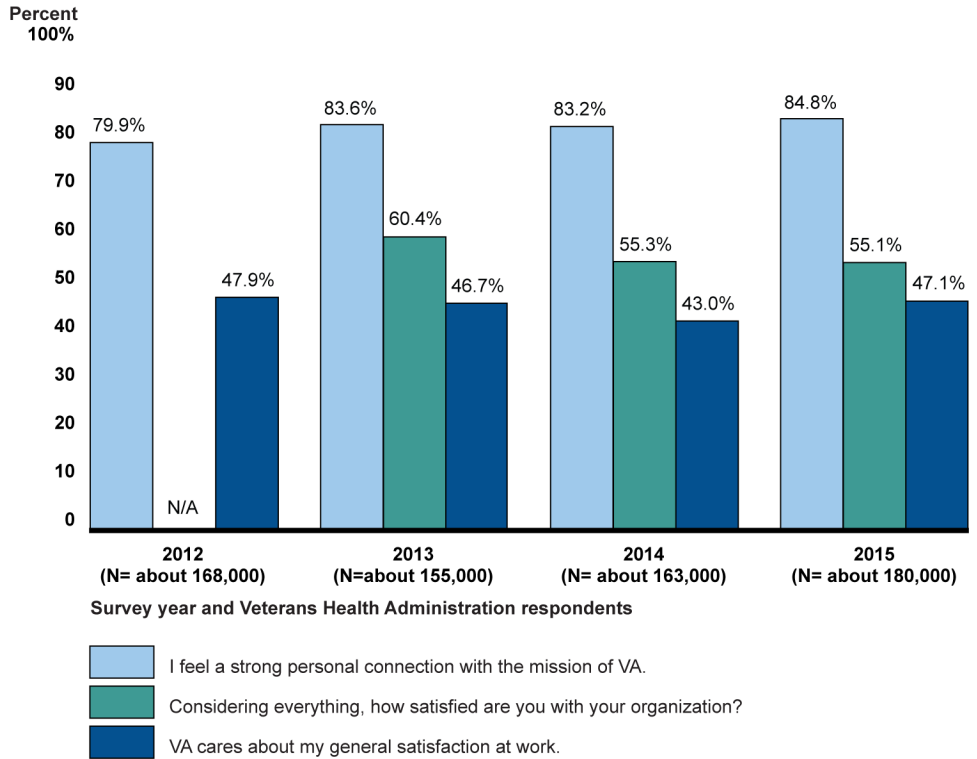
Source: GAO analysis of Department of Veterans Affairs' (VA) All Employee Survey data. | GAO-17-30

Note: N/A = not applicable.

Medical Centers Are Taking Steps to Address Employee Engagement, but May Need Additional Support from VHA

Consistent with the government-wide emphasis on employee engagement, VA's Secretary has identified it as a cornerstone of MyVA, the department's transformation effort to improve care for veterans. Similarly, VA's Under Secretary for Health has identified increasing employee engagement as one of his top five priorities for VHA.[128] Beginning in 2015, VA initiated several agency-wide efforts intended to improve employee engagement, including "Leaders Developing Leaders," training for medical center leaders, who, in turn, train lower-level

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[128]VHA's Under Secretary for Health established five priorities after being appointed to his position in July 2015. The five priorities are to (1) improve access, (2) increase employee engagement, (3) establish consistent best practices, (4) build a high-performing network (which includes VA and non-VA providers), and (5) rebuild the trust of the American people.

supervisors at their medical center; "VA 101" training, a comprehensive program on VA's benefits and services for veterans; and training on "lean" strategies and process improvement.[129] According to the VA officials with whom we spoke, these initiatives are being implemented across VHA as a starting point for addressing employee engagement.

In addition to these broad initiatives, each medical center director is ultimately responsible for monitoring and improving employee engagement at his or her facility. During our visits to four medical centers, we found that each facility employed initiatives to help sustain or improve employee engagement levels, as shown in the following examples.

- **Process improvement projects.** Each of the four medical centers we visited was at various stages of implementing team-based process improvement projects based on "lean" principles, one of VA's recommended approaches to addressing employee engagement. According to several VHA officials with whom we spoke, these efforts are intended to involve employees in identifying operational inefficiencies and potential solutions. The ultimate goal is to improve the veteran experience. At one medical facility, VHA officials stated that over the last 3 years, 150 employees at all levels have participated in "lean" training, and cross-functional teams have addressed a variety of issues. Officials at this facility noted that, twice a year, project teams present their work to medical center leaders and each other to share their experiences and celebrate results. VHA officials at this facility stated that a combination of top leadership support, collaboration, and high employee involvement has made the biggest difference in improvements to their overall employee satisfaction scores since 2012.[130]

- **Increasing communication.** Each medical center we visited described efforts to increase communication between leadership and employees. For example, officials at three of the medical centers we visited stated that they hold regular town hall forums to help

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[129]"Lean" is a process improvement methodology that shortens the time between the start and finish of any given process by eliminating sources of waste or inefficiency. According to VA documentation, waste is defined as anything that does not add value to the final product or service from the veteran's perspective. The training is intended to provide VHA staff with the knowledge, skills, and support needed to implement improved processes at VHA facilities.

[130]AES results for this medical center showed an increase in employees' overall satisfaction from 65.7 percent positive in 2010 to 74.7 percent positive in 2015 (AES Question 7: "Considering everything, how satisfied are you with your job?").

employees connect with top leadership. In addition, officials at two medical centers described how some departments have developed newsletters to inform employees of new initiatives and procedural changes. Medical center staff stated that this type of communication is important in a hospital environment, where staff often work different schedules.

- **Improving work environment.** Three of the medical centers we visited described specific efforts to improve the overall working environment for employees by addressing issues of workplace civility. For example, three of the medical centers we visited have participated in VA's Civility, Respect, and Engagement in the Workplace (CREW) program. Led by VHA's National Center for Organization Development (NCOD), this program sends trained facilitators to work with employee groups on creating a respectful and civil work environment and increasing their understanding of the relationship between civility, patient care, and business outcomes. Recognizing CREW's positive impact, one of the VISNs has established its own organizational development program. This allows the VISN to provide similar support to its 29,000 employees. According to officials from this VISN, the office has four trained psychologists to conduct workplace assessments, facilitate team building, and provide coaching to employees and managers.

Medical Centers Report Challenges in Monitoring and Improving Employee Engagement

Our prior work on organizational transformation has shown that organizational change must be implemented using effective management practices, and both top leaders and front-line employees have roles to play.[131] Leadership that is clearly and personally leading change offers stability and provides an identifiable source around which employees can rally. At the same time, employee involvement enables leaders to better understand frontline perspectives and experiences. It also provides employees with an opportunity to shape policies and procedures as they are being developed and implemented.

Our discussions with VHA officials—from medical center directors to supervisors and front-line staff—demonstrate that improving employee engagement and organizational performance is a challenging and

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[131]GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

complex effort. As we noted in our work on government-wide employee engagement, implementing such efforts and realizing results takes time.[132] Although each medical center director is responsible for employee engagement, no VHA central office organization exists to support medical center engagement efforts, facilitate the sharing of leading practices, and assist medical centers in elevating issues to the appropriate leadership level. Similarly, VISN support for medical center efforts to improve engagement varied, even among the four medical centers we visited. Thus, it can be difficult for individuals responsible for leading engagement efforts to identify which practices or initiatives would be most effective at their facility, particularly given the following challenges:

- **Medical center leadership.** Employees and managers at all four medical centers we visited stated that the presence of a stable, visible leadership team was critical to improving and sustaining employee engagement. Employees from medical centers and VISNs with leadership teams that were actively involved in employee engagement efforts described feeling empowered and supported by leaders. However, at one of the medical centers we visited, employees at various levels stated that having top leaders in acting positions— some of whom were also in acting positions at their VISN—negatively affected employee morale.[133] Although this medical center had implemented some of the employee engagement efforts described above and had recently established an employee work group to identify and implement future efforts, some employees with whom we spoke described not knowing "who was in charge." They also expressed frustration over an overall lack of strategic direction for efforts intended to address employee morale. Of note, AES results for this medical center show that, while employees' overall connection to VA's mission has increased from 75.7 percent in 2012 to 81.4 percent in 2015, employee perceptions of reciprocal organizational support have decreased from 37 percent to 34.5 percent during the same period.

- **Multiple competing priorities.** Leaders at each of the medical centers and VISNs with whom we spoke recognized the critical need

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[132]GAO-15-585.

[133] According to VHA, as of November 2016, about 15 percent (19 out of 140) of medical center director positions are vacant and 15 medical center director candidates are in the hiring process. The Under Secretary for Health has set a goal to fill 90 percent of vacant medical center positions by December 31, 2016.

to improve employee engagement at VHA. However, they also described the high demands of patient care for veterans, understaffed clinical departments, and competing VA high-priority initiatives related to the department's transformation. Several of the staff with whom we spoke stated that they would like to participate in process-improvement efforts, but simply cannot due to the added workload and staff shortages in their departments. One of the VISN officials we spoke with stated that within their network, discussions on employee engagement have shifted more to addressing basic employee needs and concerns. This includes paying employees correctly and on time, and providing proper orientation for new employees. Officials noted that these things must be addressed before they can have meaningful discussions about employee engagement.

- **Lack of data analysis expertise.** Each of the four medical centers we visited had different levels of expertise and capacity to analyze annual survey data to help inform planning for engagement initiatives. All of the medical centers reported having access to detailed survey scores and analyses developed by VHA's NCOD. However, the potential to conduct more sophisticated analysis on survey data was limited to only two VISNs. Specifically, officials from one VISN stated that the VISN has a dedicated analyst to help medical centers further analyze survey data on an as-needed basis. Similarly, another VISN conducts analyses on AES data for the medical centers in the network to identify drivers associated with patient satisfaction, employee satisfaction, and organizational effectiveness. In contrast, officials from the other two VISNs with whom we spoke stated that they make AES results and NCOD resources available to the medical centers in the network. One VISN noted that it currently does not have the capacity to do more and leaves it up to the medical centers to decide how to use the data in planning their engagement efforts.

- **Limited efforts to share leading practices.** Overall, the medical centers included in our review do not share leading practices on employee engagement. Officials at one medical center we visited stated that they informally share information on engagement efforts during monthly calls with the VISN. In addition, officials at one of the VISNs we spoke with stated that they are in the early stages of identifying a process for sharing engagement-related leading practices among the medical centers in their network. This effort has had a slow start, however, because not all of the medical centers keep track of this information.

Until all medical centers have the support they need to identify and implement effective local engagement strategies, VHA will be challenged

in developing and sustaining a culture where employees are engaged and, in turn, feel supported by the department. Further, without appropriate data analysis tools and expertise, facilities with declining engagement levels may miss clear indicators for how to start moving in the right direction. In addition, our discussions with medical center and VISN officials indicate that high-performing facilities also face challenges related to employee engagement, and there are opportunities for improvement. Ultimately, higher levels of employee engagement at VHA can better enable the department to achieve its mission and provide optimum patient care to our nation's veterans.

Conclusions

High attrition among VHA's HR staff and an increasing workload to fulfill HR functions have made it difficult for VHA to build HR capacity and ensure that it is positioned to meet the health care needs of our nation's veterans. The root cause for these shortcomings is the lack of clear lines of authority between VA's and VHA's central HR offices and the HR offices at the medical centers. Without the authority to oversee and hold medical center HR offices accountable, VHA will continue to face challenges, such as an inability to track the implementation of corrective actions identified during VA and VHA oversight reviews of medical center HR offices, difficulties in identifying and addressing competency gaps of staff within the medical center's HR offices, and the lack of information for evaluating the extent to which training strategies are improving the competencies of HR staff.

Until VA and VHA leadership establish clear lines of authority, HR central offices will continue to face challenges in improving the delivery of HR services at its medical centers. Although from June 2014 to June 2016 the VA Secretary had delegated to VA's Assistant Secretary for HR&A the authority to oversee some HR functions at medical centers, issuing temporary delegations of authority is not a long-term solution. Our findings parallel those included in the Commission on Care's June 2016 report, which concluded that the department's current reporting structure does not allow VA's Assistant Secretary for HR&A to hold HR staff accountable for effective service delivery. Further, VA and VHA must address the internal control issues we have identified. Specifically, VA's Assistant Secretary for HR&A and VHA's Assistant Deputy Under Secretary for Health for Workforce Services need the ability to monitor HR improvement efforts, ensure that HR offices consistently apply policies, and collect and use data on HR staff competencies. In addition, our work finds that VA and VHA leadership must recognize the key role

that their human capital professionals play in supporting the entire VHA workforce's mission to care for our nation's veterans.

At the same time, VHA's employee performance management system is inconsistent with leading practices. In turn, this makes it difficult to hold employees accountable, be transparent in rating and rewarding employees, and develop a culture of high performance by creating a "line of sight" between employees' individual efforts and the department's mission to serve veterans. In fiscal year 2014, three out of four VHA employees were rated in the top two out of five performance categories. These ratings are consistent with government-wide trends; nevertheless, VHA may not be positioned to make meaningful distinctions in employees' performance relative to their peers. This may be due, in part, to a policy that does not require standards to be defined for each level of performance, and the use of individualized performance plans which may limit VHA's ability to monitor how employees in the same position are performing relative to their peers within the same facility or VHA-wide. Further, VHA must ensure that supervisors are effectively trained on the performance appraisal processes and that its ratings-based awards programs are consistent with leading practices and motivate employees to perform better in the future. Additionally, VHA is challenged by inefficiencies in its performance management processes, including a reliance on paper-based procedures and the lack of a performance appraisal IT system. As a result, VHA may be unable to access reliable, timely, department-wide data on performance ratings and awards to help identify trends, potential problems, and opportunities for improvement. Going forward, it will be important for the department to address these issues so that the performance management system becomes a tool to help transform VHA's culture into one that is more performance oriented.

With respect to employee engagement, VHA has the advantage of a workforce that is overwhelmingly dedicated to serving and caring for our veterans. Our discussions with VA medical center directors, supervisors, and front-line staff at the four medical centers we visited consistently showed that that one of the most important factors in improving employee engagement is sustained support and visibility of medical center leadership. Moreover, we found that each medical center faces challenges in monitoring and improving engagement, and there is no one-size-fits-all solution. VHA needs to do more to ensure employees feel supported by both medical center and department leadership, use data to monitor and improve engagement levels, and share leading practices for strengthening engagement.

Recommendations for Executive Action

To improve the capacity of HR functions at VA medical centers, we recommend that the Secretary of Veterans Affairs instruct the Under Secretary for Health to assign the following responsibilities to the Assistant Deputy Under Secretary for Health for Workforce Service:

- develop a comprehensive competency assessment tool for HR staff that evaluates knowledge of all three personnel systems, (Title 5, Title 38 and Title 38-Hybrid);

- ensure that all VHA HR staff complete the competency assessment tool and use this data to identify and address competency gaps within HR offices; and

- evaluate the extent to which training strategies are effective for improving the skills and competencies of HR staff.

To improve the capacity of HR functions at VA medical centers, we recommend that the Secretary of Veterans Affairs instruct the Under Secretary for Health to establish clear lines of authority that provide the Assistant Deputy Under Secretary for Health for Workforce Service the ability to oversee and hold medical center HR offices accountable for:

- implementing initiatives to improve HR processes within HR offices as well as monitoring and reporting on the results of these initiatives; and

- requiring all HR staff to complete the competency assessment tool within HR offices.

To ensure VA medical centers make needed improvements to HR functions, such as those identified by VA's Office of Oversight and Effectiveness and VHA's CARDS reviews, we recommend that the Secretary of Veterans Affairs provide the Assistant Secretary for HR&A and the Under Secretary for Health with the oversight responsibility of effectively monitoring the status of corrective actions at medical center HR offices and ensuring that corrective actions are implemented.

To ensure that positions across all VHA medical facilities are placed in the appropriate class and grade, we recommend that the Secretary of Veterans Affairs direct the Assistant Secretary for HR&A and the Under Secretary for Health to clarify their lines of authority and processes for overseeing and holding VISNs and VHA medical facilities accountable for the consistent application of federal classification policies.

To accelerate efforts to develop a modern, credible, and effective performance management system we recommend that the Assistant

Secretary for HR&A take the following actions, with input from VHA stakeholders:

- ensure that meaningful distinctions are being made in employee performance ratings by (1) developing and implementing a standardized, comprehensive performance management training program for supervisors of Title 5, Title 38, and Title 38-Hybrid employees based on leading practices and ensuring procedures are in place to support effective performance conversations between supervisors and employees; (2) reviewing and revising Title 5 and Title 38 performance management policies consistent with leading practices (e.g., require definition of all performance levels); and (3) developing and implementing a process to standardize performance plan elements, standards, and metrics for common positions across VHA that are covered under VA's Title 5 performance management system;

- ensure that ratings-based performance awards are administered in a manner that is consistent with leading practices and promotes improved employee performance; and

- develop a plan for how and when it intends to implement a modern IT system to support employee performance management processes.

To better monitor and improve employee engagement, we recommend that the Under Secretary for Health

- establish clear and effective lines of authority and accountability for developing, implementing, and monitoring strategies for improving employee engagement across VHA, such as by establishing an employee engagement office at the VHA headquarters level with appropriate oversight of VISNs and medical center initiatives; and

- ensure that VHA and VISN entities jointly develop (1) a system to facilitate sharing of employee engagement leading practices/lessons learned; and (2) a strategy to help address barriers to improving engagement, particularly for those medical centers with the lowest engagement scores.

Agency Comments and Our Evaluation

We provided a draft of this product to VA for comment. In its written comments, which are reprinted in appendix III, VA concurred with 9 of the 12 recommendations and partially concurred with 3 recommendations. VA also provided technical comments on our draft report, which we incorporated as appropriate.

In its written response, VA stated that it has implemented 2 of our recommendations as of November 2016; however, we maintain that more action is needed to address these recommendations. To address our recommendation to develop a comprehensive competency assessment tool for HR staff that evaluates their knowledge of all three VA personnel systems, VA stated that it has placed its HR training office, known as HR Academy, under the Assistant Deputy Under Secretary for Health for Workforce Services. VA stated that this office will further develop the existing HR competency models into a comprehensive assessment tool for HR staff that evaluates their knowledge of all three personnel systems. We recognize VA's initial steps to address this recommendation. However, as stated in the report, VA should maintain accountability and provide a framework for planning, directing, and controlling the implementation of its competency assessment tool. We will continue to monitor VA's progress in effectively evaluating the competencies of its HR staff and improving the capacity of its HR functions.
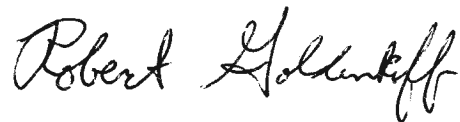
Additionally, VA stated that, as of November 2016, it has implemented our recommendation that VHA evaluate the extent to which its training strategies are effective for improving the skills and competencies of its HR staff. VA reported that as a result of the organizational realignment noted above, its HR Academy is now responsible for evaluating data gathered from its competency assessment tool to assess the effectiveness of its training programs and strategies. While we recognize that the realignment of the HR Academy addresses the portion of our recommendation to create a line of authority and accountability between the central HR offices and operations at the medical center HR offices, we maintain that additional steps are needed. For example, as we noted in our report, those steps include ensuring that all VHA HR staff complete the comprehensive competency assessment tool and that the data collected from the tool are used to identify competency gaps within VHA's HR offices. Accordingly, we will continue to monitor the steps VHA takes to fully implement this recommendation.

VA partially concurred with our 3 recommendations aimed at developing a modern, credible, and effective performance management system. VA described the steps it was taking to implement them, but noted the importance of adequate funding. As one example, VA stated that it is reviewing lessons learned from the private sector on how to modernize its approach to employee performance management, and that it implemented mandatory training for supervisors on the performance management process in fiscal year 2016. In regard to developing an IT system to support performance management, VA stated that it continues

to pilot its ePerformance system, but that broad implementation of new technology for performance management will require adequate IT funding. Consistent with our recommendation to develop a plan for how and when it intends to implement a modern IT system to support employee performance management processes, going forward it will be essential for VA to ensure that its resources are used as effectively as possible.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from its issue date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Veterans Affairs, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report please contact me at (202) 512-2757 or goldenkoffr@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this product are listed in appendix IV.

Robert Goldenkoff
Director, Strategic Issues

List of Requesters

The Honorable Jeff Miller
Chairman
The Honorable Mark Takano
Acting Ranking Member
Committee on Veterans Affairs
House of Representatives

The Honorable Corrine Brown
House of Representatives

The Honorable Derek Kilmer
House of Representatives

The Honorable Jaime Herrera Beutler
House of Representatives

The Honorable David P. Roe, M.D.
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Our objectives were to (1) determine the Veterans Health Administration's (VHA) capacity to perform key human resource (HR) functions; (2) evaluate the extent to which VHA's HR processes are consistent with human capital management principles and internal control practices; and (3) assess VHA's performance management process and its efforts to monitor and improve employee engagement.

To determine VHA's capacity to perform key HR functions, we analyzed data from the Department of Veterans Affairs' (VA) Personnel and Accounting Integrated Data (PAID) system on the composition of VHA's HR workforce for fiscal years 2011 through 2015.[1] We used these data to calculate the number of HR staff on board at the end of each fiscal year; rates of attrition due to voluntary retirement, resignation, transfer to other agencies, and involuntary separation; and the ratios of HR staff to employees served at the VA medical centers. As points of comparison, we calculated attrition rates for all VHA occupations, and government-wide HR staff attrition rates using data from the Office of Personnel Management for fiscal years 2011 through 2015. To examine potential drivers of VHA HR employee attrition, we analyzed results from the department's employee exit survey and results of selected questions from VA's All Employee Survey (AES), for VHA HR staff for 2014 and 2015.[2] Throughout this portion of our work, we compared data for HR employees with VHA-wide data, as appropriate. To corroborate our results and to understand the views of HR employees, we interviewed officials knowledgeable about HR capacity from VHA's Workforce Management and Consulting (WMC), and HR leaders and staff at four selected medical centers and their associated Veterans Integrated Service Networks (VISN) (Bath VA Medical Center (VISN 2); Cheyenne VA Medical Center (VISN 19); Orlando VA Medical Center (VISN 8); and VA Puget Sound Health Care System (VISN 20)).[3] In addition, we reviewed documentation

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[1] Fiscal year 2015 data was the most recent set of data available at the time of our review. We determined that this data from PAID was sufficiently reliable for the purposes of our analysis.

[2] We discuss our methodology for analyzing VHA's AES results in greater detail at the end of this appendix. For this analysis, we reviewed results of workload-related questions including: "My workload is reasonable given my job" and "How satisfied are you with the amount of work that you currently do?" We also reviewed results for VHA's "Burnout Index," which is made up of three AES questions: "I feel burned out from my work;" "I worry that this job is hardening me emotionally;" and "I have [not] accomplished many worthwhile things in this job."

[3] We discuss our methodology for selecting these four VA medical centers at the end of this appendix.

related to VHA HR staffing, including the 2010 *HR Delivery Model* and
VHA's annual workforce and succession strategic plans. We also
reviewed the findings and recommendations from external assessments
of VHA, including those required by the Choice Act: the *Independent
Assessment of the Health Care Delivery Systems and Management
Processes of the Department of Veterans Affairs* and the *Final Report of
the Commission on Care.*[4]

To assess the extent to which VHA's HR processes are consistent with
human capital management principles and internal control practices, we
reviewed federal regulations, our prior work related to strategic human
capital management, and *Standards for Internal Control in the Federal
Government* Standards for Internal Control in the Federal Government to
identify requirements for an effective internal control environment.[5]
Specifically, we reviewed federal standards related to effective
organizational structures, program monitoring and evaluation, workforce
competencies, and information systems—all of which are essential to
ensuring an agency achieves its mission. We focused our review of
VHA's HR processes in four key areas:

**Organizational structure and lines of authority supporting VHA's HR
functions.** To determine VHA's human resources policies and program
objectives and the lines of oversight, accountability, and authority
supporting its HR functions, we reviewed information on the department's
hiring authorities, HR policies, management directives, handbooks, and
organizational charts. Further, to understand the benefits and challenges
of VHA's current human capital organizational structure, we met with VA's
Chief Human Capital Officer, officials from VA's Office of Human

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[4]Centers for Medicare & Medicaid Services' Alliance to Modernize Healthcare Federally
Funded Research and Development Center, *Independent Assessment of the Health Care
Delivery Systems and Management Processes of the Department of Veterans Affairs*,
Volume I: Integrated Report (Washington, D.C.: Sept. 1, 2015); Commission on Care,
Final Report of the Commission on Care (Washington, D.C.: June 30, 2016). The Choice
Act required VHA to contract with a private entity to complete the independent
assessment and established the Commission. Pub. L. No. 113-146, § 201(a), 128 Stat.
1769.

[5]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G
(Washington, D.C.: Sept. 2014); *Human Capital: Key Principles for Effective Strategic
Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003); and *A Model of
Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15,
2002).

Resource Management, VHA's WMC, and officials at the four VA medical centers and VISNs we visited.

Monitoring and evaluating the effectiveness of HR functions. To determine how VHA monitors and evaluates the effectiveness of its HR functions, we reviewed relevant VA policies and procedures the department has developed to ensure compliance with relevant laws and regulations and agency accountability.[6] We interviewed the director of VA's Oversight and Effectiveness Service and an official in VHA's WMC who are responsible for conducting periodic reviews of medical centers' HR operations.[7] To understand HR issues these offices have identified, we reviewed CARDS summary assessments of VHA HR offices (2013 through 2015). Further, we reviewed the most recent assessments of HR operations at four medical centers we visited. We interviewed HR officers and staff at the four medical centers we visited to understand their efforts to monitor and evaluate their own HR functions.

HR workforce competencies, training, and professional development. To determine the extent to which VHA is following human capital management principles for HR workforce planning and identifying and monitoring skills gaps, we reviewed VA's model and processes for (1) evaluating the competencies of its HR staff (2) identifying HR staff skills gaps, and (3) providing training to address these gaps. We also reviewed policies and procedures on the types of training required for HR staff by VA's HR&A, and information on VA and VHA training courses available to HR staff. We also reviewed the findings of recent internal and external reviews, such as CARDS reviews and VHA's 2015 *Independent Assessment,* to understand systemic findings related to HR staff skills gaps and training.[8] To determine the extent to which VHA officials are

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[6]For example, Department of Veterans Affairs, *Human Capital Management Accountability Systems*, VA Directive and Handbook 5024 (Washington, D.C.: Jan. 23, 2012).

[7]VA's Oversight and Effectiveness Service conducts on-site reviews of HR management programs. The director of this office stated that they review VHA HR offices about every 7 to 8 years. VHA's Consult, Assist, Review, Develop, and Sustain (CARDS) program also conducts reviews of HR functions at VA medical centers. According to a VHA official, these reviews are conducted about every 2 to 3 years.

[8]Centers for Medicare & Medicaid Services' Alliance to Modernize Healthcare Federally Funded Research and Development Center, *Independent Assessment of the Health Care Delivery Systems and Management Processes of the Department of Veterans Affairs: Volume I: Integrated Report* (Washington, D.C.: Sept. 1, 2015).

aware of competency gaps in the HR workforce and the effects of these gaps, we interviewed the director of VHA's Office of Human Resource Development. We also interviewed HR officers and staff at the four medical centers we visited to understand the challenges staff face related to training and development.

Information technology (IT) systems and data to support HR functions. To assess the extent to which VHA's HR IT environment is consistent with internal controls—such as the extent to which systems meet operational needs and whether data are valid and reliable—we met with officials from VA's Human Resources Information Service, VA's USA Staffing Office, and VHA's Recruitment and Staffing Services. We also met with an official knowledgeable about VA's new enterprise-wide HR information system, HR Smart. We obtained and reviewed documentation related to HR Smart's functionality and overall implementation timeline, as well as the system's expected benefits. Note that we did not undertake a comprehensive assessment of HR Smart's system development and implementation as part of our review. To understand the extent to which current VHA IT systems meet the needs of HR staff in the field and the challenges they face, we interviewed HR officers and staff at the four medical centers we visited. We also obtained and reviewed inventories of IT systems and tools on which HR staff rely to manage day-to-day HR functions.

To assess VHA's employee performance management processes, we reviewed federal regulations for employee performance management and awards, our key practices for effective employee performance management, OPM guidance on developing effective performance plans, and relevant findings and recommendations from recent external reviews of VHA.[9] In addition, we reviewed VA documentation, including directives and handbooks for employee performance management and awards, and the fiscal year 2015 network and medical center director performance

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[9]Note that the scope of our third objective applies to all VHA staff and is not limited to HR staff alone. For example, 5 C.F.R. § 430.208; GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003); OPM, *A Handbook for Measuring Employee Performance: Aligning Employee Performance Plans with Organizational Goals* (Washington, D.C.: September 2011); Centers for Medicare & Medicaid Services' Alliance to Modernize Healthcare Federally Funded Research and Development Center, *Independent Assessment of the Health Care Delivery Systems and Management Processes of the Department of Veterans Affairs: Volume I: Integrated Report* (Washington, D.C.: Sept. 1, 2015); and Commission on Care, *Final Report of the Commission on Care* (June 30, 2016).

plan template.[10] To understand VHA-wide trends on annual employee
performance rating distributions and awards, we analyzed ratings and
awards data from VA's PAID system for all VHA employees for rating
periods ending in fiscal years 2010 through 2014.[11] We also analyzed
employee responses to questions related to performance management
and awards from OPM's 2015 Federal Employee Viewpoint Survey
(FEVS).[12] To examine the extent to which employee performance plans
are used to establish performance expectations and standards, we
selected a sample of employee performance plans from each of the four
medical centers we visited. We limited our sample population to medical
support assistants at the General Schedule (GS)-6 level because it is a
typical position at VA medical centers, and all four medical centers had
employees at this grade level.[13] Further, medical support assistants have
one of the highest loss rates across VHA.[14] Specifically, we used VHA
data to randomly select 32 VHA employee performance plans (8
performance plans from each medical center) for the fiscal year 2015
rating period.[15] We verified the accuracy of these data with each medical
center and found the data sufficiently reliable for our purpose. We
analyzed the performance plans to identify common performance

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[10]Department of Veterans Affairs, *Performance Management Systems,* VA Directive (v.15)
and Handbook (v.16) 5013 (Washington, D.C.: Mar. 27, 2015); *Employee Recognition and
Awards*, VA Directive (v. 4) and Handbook 5017 (v. 13) (Washington, D.C.: July 7, 2010
and June 26, 2014, respectively).

[11]Fiscal year 2014 was the most complete set of performance ratings and awards data
available during our review. Our analysis of awards data was limited to ratings-based
awards and quality step increases. We determined that this PAID data was sufficiently
reliable for the purposes of our analysis.

[12]We discuss our methodology for analyzing survey responses in greater detail at the end
of this appendix. For this analysis, we reviewed results of questions related to employee
perceptions of performance conversations, meaningful distinctions in performance, and
ratings-based awards.

[13]Medical support assistants provide general support to the medical staff by scheduling
veterans' appointments and serving as receptionists and record keepers.

[14]GAO, *Veterans Health Administration: Personnel Data Show Losses Increased for
Clinical Occupations from Fiscal Year 2011 through 2015, Driven by Voluntary
Resignations and Retirements*, GAO-16-666R (Washington, D.C.: July 29, 2016).

[15]Each of the four medical centers we visited provided us with a current list of their GS-6
medical support assistants as of the end of fiscal year 2015. Based on this data, we
randomly selected eight employees from each list, and requested each selected
employee's position description and fiscal year 2015 performance plan (from VA Standard
Form 0750). We took appropriate steps to redact any personally identifiable information
from these documents.

elements for MSAs in our sample, the number of critical elements in each performance plan, and the extent to which plans defined standards for achieving each level of performance. We also observed variations in plans by medical center and the MSA's supervisor. The results of our analysis cannot be generalized to the four medical centers we visited or across VHA. To complement the results of our data analyses and understand the benefits and challenges of VHA's employee performance management processes, we also interviewed VA's Chief Human Capital Officer, officials from VA's Employee Relations and Performance Management Service and Human Resource Information Service; officials from VHA's Title 38 HR Policy & Programs Group; and HR officers and staff in various occupations at the four medical centers and VISNs that we visited.

To evaluate VHA's practices for monitoring and improving employee engagement, including its efforts to gather and share leading practices, we obtained and reviewed documentation on the employee engagement efforts developed at the VA central office level. We interviewed VA's Chief Human Capital Officer, and officials in VA's Employee Engagement Service and VHA's National Center for Organization Development (NCOD). In addition, we met with officials and staff at each of the four medical centers we visited to understand their locally developed employee engagement efforts, as well as any successes and challenges in this area. To understand the extent to which VISNs provide support and resources on employee engagement to the medical centers in their respective networks, we interviewed HR officials from VISNs 2, 8, 19, and 20. In addition, we interviewed a former VISN 8 network director who was responsible for leading efforts to improve employee engagement across the network. To analyze VHA-wide changes related to employee engagement, including OPM's Employee Engagement Index (EEI) and the six drivers of employee engagement that we identified in prior work, we analyzed survey results from OPM's FEVS (2014 and 2015) and VA's AES (2010 through 2015).[16]

Medical Center Site Visits

To better understand how VHA has implemented its human capital operations and efforts to monitor and improve employee engagement in

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[16]We discuss our methodology for analyzing survey responses in greater detail at the end of this appendix. Also, see GAO, *Federal Workforce: Additional Analysis and Sharing of Promising Practices Could Improve Employee Engagement and Performance*, GAO-15-585 (Washington, D.C.: July 14, 2015).

the field, we selected and visited four VA medical centers—Bath VA
Medical Center (Bath, NY); Cheyenne VA Medical Center (Cheyenne,
WY); Orlando VA Medical Center (Orlando, FL); and VA Puget Sound
Health Care System (Seattle, WA).[17] We selected these medical centers
to provide variation in (1) Human Capital Assessment and Accountability
Framework (HCAAF) scores; (2) patient volume; (3) facility complexity
level; (4) rural or urban designation; and (5) geographic location.[18] At
each site, we conducted semi-structured interviews with medical center
leadership (e.g., medical center director, chief of staff), the HR director,
and HR staff. To better understand VHA employees' perceptions of the
medical center's HR services, performance management processes, and
efforts to improve employee engagement, we also conducted small group
interviews with medical center employees in various occupations.[19] We
used an employee list provided by each medical center to randomly
select eight participants and six alternates for each small group interview.
Our selection process ensured that each small group contained
employees in various positions and medical center departments. Finally,
we also met with representatives from each medical center's local labor
unions. Following each medical center site visit, we conducted telephone
interviews with VISN leadership and knowledgeable officials about VHA's
HR capacity, HR successes and challenges, and employee performance
management and engagement. The information from our medical center

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[17]We conducted the Cheyenne site visit by videoconference. VA's Puget Sound Health
Care System is made up of two campuses: Seattle and American Lake (Tacoma, WA); we
met with interviewees in person at the Seattle campus along with American Lake
employees via videoconference.

[18]Derived from selected questions of the FEVS, OPM's HCAAF is intended to identify
human capital systems that together provide a consistent, comprehensive representation
of human capital management for the federal government. The HCAAF consists of four
indices: (1) Leadership & Knowledge Management Index, which indicates the extent to
which employees hold their leadership in high regard, both overall and on specific facets
of leadership; (2) Results-Oriented Performance Culture Index, which indicates the extent
to which employees believe their organizational culture promotes improvement in
processes, products and services, and organizational outcomes; (3) Talent Management
Index, which indicates the extent to which employees think the organization has the talent
necessary to achieve organizational goals; and (4) Job Satisfaction Index, which indicates
the extent to which employees are satisfied with their jobs and various aspects thereof.
We combined these four indices to get a single HCAAF score for each VA medical center
and ranked the scores from high to low. In addition, VHA categorizes medical centers
according to complexity level, determined on the basis of the characteristics of the patient
population, clinical services offered, educational and research missions, and
administrative complexity.

[19]For example, at each medical center we conducted small group interviews with (1)
administrative supervisory staff; (2) administrative nonsupervisory staff; (3) clinical
supervisory staff; and (4) clinical nonsupervisory staff.

and VISN interviews is not generalizable to other VA medical centers or
VISNs.

Data Analysis and Reliability

Federal Employee Viewpoint Survey

The Office of Personnel Management (OPM) Federal Employee
Viewpoint Survey (FEVS) provides a snapshot of employees' perceptions
about how effectively agencies manage their workforce. Topic areas are
employees' (1) work experience, (2) work unit, (3) agency, (4) supervisor,
(5) leadership, (6) satisfaction, (7) work-life, and (8) demographics. The
FEVS is based on a sample of full- and part-time, permanent,
nonseasonal employees of departments and large, small, and
independent agencies. OPM has conducted the FEVS, formerly the
Federal Human Capital Survey, since 2002. The survey was conducted
biennially between 2002 and 2010 and annually thereafter. According to
OPM, 32,236 VA employees (36 percent) responded to the 2015 FEVS.[20]

To generate FEVS estimates for VHA, VISNs, VA medical centers, and
specific occupational groups, we aggregated the index across individuals
using the appropriate sample weights. We followed the replicate weight
variance estimation methodology recommended by OPM to generate
sample variance estimates for the index scores.[21] We express our
confidence in the precision of our FEVS estimates as 95 percent
confidence intervals (e.g., plus or minus 2 percentage points). This is the
interval that would contain the actual population value for 95 percent of
the FEVS samples OPM could have drawn. We identified statistical
differences by assessing whether the 95 percent confidence intervals of
two estimates overlapped or not rather than conducting multiple t-tests;
confidence intervals that do not overlap represent differences that are
statistically significant. If the change was statistically significant, there is
less than a 5 percent probability that the difference occurred by chance.
This method of assessing difference is conservative, in that it may
underestimate the amount of statistically significant differences in cases
of minor overlap of confidence intervals, but does not require us to use a

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[20]FEVS data from 2015 were the most recent data available at the start of our review.

[21]OPM provided us with the replicate weight files and jack knife coefficients for each year
of FEVS data.

testing methodology modification such as a Bonferroni adjustment to
account for multiple comparisons.[22]

To determine any changes in employee engagement at VHA, we
analyzed its employee engagement index scores (EEI) from 2014 and
2015.[23] We compared these scores to VA- and government-wide values
as reported in OPM's annual FEVS reports.[24] Consistent with our prior
work in this area, we also analyzed VHA employee responses to the six
FEVS questions that we identified as the strongest drivers of employee
engagement (see table 2).[25]

Table 2: Strongest Drivers of the Employee Engagement Index, 2014

Driver of engagement	Federal Employee Viewpoint Survey question
Constructive performance conversations	My supervisor provides me with constructive suggestions to improve my job performance (Q46).
Career development and training	I am given a real opportunity to improve my skills in my organization (Q1).
Work-life balance	My supervisor supports my need to balance work and other life issues (Q42).
Inclusive work environment	Supervisors work well with employees of different backgrounds (Q55).
Employee involvement	How satisfied are you with your involvement in decisions that affect your work (Q63)?
Communication from management	How satisfied are you with the information you receive from management on what's going on in your organization (Q64)?

Source: GAO. | GAO-17-30

In addition, we analyzed VHA employees' responses to FEVS questions
related to performance management and awards processes. To assess

[22]For a discussion of this methodology, see Nathaniel Schenker and Jane F. Gentleman,
The American Statistician, vol. 55, no. 3 (August 2001): pp. 182-186.

[23]According to OPM, the EEI is a measure of the conditions conducive to engagement.
The EEI is made up of 15 questions across three components—Leaders Lead,
Supervisors, and Intrinsic Work Experience. OPM calculates the EEI by averaging the
component scores, which are an average of the percent of positive responses to each
question in the respective component.

[24]See Office of Personnel Management, *Federal Employee Viewpoint Survey Results:
Governmentwide Management Report* (2015).

[25]See GAO-15-585, appendix III. In this work, we analyzed FEVS data from 2006 through
2014. Using FEVS 2014 data, we conducted multiple linear regression analysis to assess
the correlation between the driver questions and the EEI, controlling for other factors such
as agency and employee characteristics. We found that across agencies and selected
employee population groups, positive responses to these six FEVS questions in our
government-wide model were associated with increases in the EEI.

the reliability of the FEVS data, we reviewed FEVS technical
documentation, interviewed officials responsible for collecting,
processing, and analyzing the data, and also relied on our prior work and
methodology. We also relied on our prior work and methodology and
reviewed FEVS technical documentation and interviewed officials
responsible for collecting, processing, and analyzing the data. On the
basis of these procedures, we believe the data were sufficiently reliable
for use in the analysis presented in this report.

VA's All Employee Survey

VHA's National Center for Organization Development (NCOD)
administers VA's annual All Employee Survey (AES). The AES is a
census-based survey that is intended to gauge employees' experiences
at VA. The survey is made up of 58 questions related to, for example,
employee satisfaction, organizational climate, high-performing
workplaces, supervisory behaviors, and burnout. According to NCOD,
184,357 VHA employees responded to the AES in 2015 (about a 61
percent response rate).

We obtained AES results for VHA respondents from NCOD for survey
years 2010 through 2015.[26] For purposes of clarity and consistency
throughout this report, we reported the percentage of positive responses
for AES questions, as we did for FEVS questions. We identified 28 out of
58 AES questions that were relevant to our engagement objectives for
analysis (see table 3 below). To support objective 1, we analyzed survey
results for VHA HR staff on questions related to, for example, workload,
promotion opportunities, professional development, overall job
satisfaction, and burnout for 2013 through 2015.[27] To support objective 3,
we analyzed survey results for all VA medical center staff on questions
related to performance management, employee satisfaction,
organizational climate for 2010 through 2015. We further analyzed survey
results by broad occupational groups (VHA administrative, nurses,
physicians, other clinical, wage employees) and VISN to identify any
trends.

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[26]AES data from 2015 were the most recent data available at the start of our review.

[27]When completing the AES, respondents are asked to choose their occupation from a
prepopulated list. We analyzed survey responses for VHA staff who indicated that they
were "HR specialists," the only HR-specific VHA occupation listed on the survey (VHA
added this occupation to the survey in 2013). However, it is possible that some
respondents—such as HR assistants—selected a more generic occupation, such as
"administrative, technical, professional or clerical employee at GS-1 through GS-8." Thus,
we may not have included all VHA HR staff responses in our analysis.

Table 3: Selected Questions from the Department of Veterans Affairs' All Employee Survey

Theme	All Employee Survey question
Employee satisfaction	• How satisfied are you with the amount of work that you currently do?
	• How satisfied are you with the number of opportunities for promotion?
	• Considering everything, how satisfied are you with your job?
	• Considering everything, how satisfied are you with your workgroup?
	• Considering everything, how satisfied are you with your organization?
Organizational climate	• I feel a strong personal connection with the mission of VA.
	• VA cares about my general satisfaction at work.
	• My performance ratings are fair and accurate.
	• My workload is reasonable given my job.
	• My ideas and opinions count at work.
	• I recommend my facility as a good place to work.
	• In my work group, differences in performance are recognized in a meaningful way.
High-performing workplaces	• I am given a real opportunity to develop my skills in my work group.
	• I have received the training I need to do my job well.
	• New practices and ways of doing business are encouraged in my work group.
	• Managers set challenging and yet attainable performance goals for my work group.
	• My supervisor reviews and evaluates the progress toward meeting goals and objectives of the organization.
	• Employees in my work group are competent to accomplish our tasks.
	• This organization does not tolerate discrimination.
	• I have the appropriate supplies, materials, and equipment to perform my job well.
General workplace/work group perceptions	• Supervisors/team leaders understand and support employee family/personal life responsibilities in my work group.
	• Employees in my work group are involved in quality improvement or systems redesign.
Supervisory behaviors	• My supervisor is fair in recognizing accomplishments.
Burnout	• I feel burned out from my work.
	• I worry that this job is hardening me emotionally.
	• I have [not] accomplished many worthwhile things in this job.
Turnover	• If I were able, I would leave my current job.
	• I plan to leave my job within the next six months.

Source: Veterans Health Administration documentation. | GAO-17-30

To assess the reliability of the AES data, we reviewed NCOD
documentation about the AES, reviewed the results for reasonableness

and consistency, conducted internal checks for missing or erroneous
data, and interviewed NCOD officials knowledgeable about the survey
processes and its overall reliability. Based on these activities, we
determined that the data were sufficiently reliable for the purposes of our
reporting objectives.

We conducted this performance audit from July 2015 to December 2016
in accordance with generally accepted government auditing standards.
Those standards require that we plan and perform the audit to obtain
sufficient, appropriate evidence to provide a reasonable basis for our
findings and conclusions based on our audit objectives. We believe that
the evidence obtained provides a reasonable basis for our findings and
conclusions based on our audit objectives.

Appendix II: Department of Veterans Affairs and Veterans Health Administration Human Resource Training Programs

Table 4: Department of Veterans Affairs and Veterans Health Administration Human Resource Training Programs

	Department of Veterans Affairs (VA) Human Resource (HR) Academy	Veterans Health Administration (VHA) Human Resource Development (HRD)
Criteria for training offerings	Training offerings are determined based on competency assessments.	Training schedules are developed based on results of needs assessments, internal reviews of HR functions, wait lists from prior years, VA's All Employee Survey results, and new congressional requirements.
Formats	HR Academy provides training in the following formats: • Virtual self-paced • Virtual instructor-led • Combination of virtual instructor-led and self-paced courses	HRD provides training in the following formats: • In person classroom instruction • Virtual self-paced • Virtual instructor-led • Combination of virtual instructor-led and self-paced courses
Developmental programs and certifications	**HR Certificate Program:** Provides HR professionals with the opportunity to obtain a certificate in one or more specialty areas relevant to their job: • Recruitment and placement • Employee relations • Position classification • Employee benefits • Intermediate HR certificate program (currently under development) **HR Best:** Provides HR supervisors and managers with leadership skills and organizational awareness to build stronger teams. The six modules include: • Introduction • Managing organizational performance • Leadership styles & teambuilding • Building partnerships for success • Mentoring and coaching • Supporting your team	**Technical Career Field (TCF) Intern Program:** TCF is 2-year training program for HR specialists appointed at the GS-5 or GS-7 level and assistant human resource officer trainees at the GS-11 level with salary and benefits. VHA pays trainees' salaries and benefits and provides a training/travel allotment each year of the two year training program. Preceptors monitor the employees' training and provide required job experiences throughout the 2-year program. **Human Resource Officer Boot Camp Collaborative:** An annual, 6-month series of virtual learning and face-to-face collaboration for new human resource officers. **HR Leadership Summit:** a face-to-face conference for selected HR managers to provide them with personal leadership development, technical development, peer-to-peer collaboration, problem solving, and retention of mission critical clinical positions.
Ad hoc training	Not applicable.	The HRD team responds to requests for customized training for HR staff, recruiters or HR liaisons, and supervisors from local VHA facilities, Veterans Integrated Service Network offices, and program offices. If resources are available, HRD will schedule ad-hoc courses at the request of a facility or regional office.

	Department of Veterans Affairs (VA) Human Resource (HR) Academy	Veterans Health Administration (VHA) Human Resource Development (HRD)
Other training resources	HR Academy provides career maps that explain what development is needed to move from one job function to another and what learning is available to support that movement. Career maps are updated as new curriculum and learning experiences are developed.	The HRD online portal contains over 500 resources, tools, and web links supporting the HR community. HRD also holds webinars on a monthly basis.

Source: GAO analysis of VA and VHA data. | GAO-17-30

Appendix III: Comments from the Department of Veterans Affairs

DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON DC 20420

December 13, 2016

Mr. Robert Goldenkoff
Director, Strategic Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Goldenkoff:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, *"VETERANS HEALTH ADMINISTRATION: Management Attention Is Needed to Address Systemic, Longstanding Human Capital Challenges"* (GAO-17-30).

The enclosure provides our general comments and sets forth the actions to be taken to address the GAO draft report recommendations.

VA appreciates the opportunity to comment on your draft report.

Sincerely,

Gina S. Farrisee
Deputy Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
*"VETERANS HEALTH ADMINISTRATION: Management Attention Is Needed to
Address Systemic, Longstanding Human Capital Challenges"*
(GAO-17-30)

General Comments:

The Veterans Health Administration (VHA) appreciates the work of the Government
Accountability Office (GAO) in describing the human capital challenges we face.
Leaders in high-performing organizations focus on a shared mission, honor shared
values, listen and respond proactively to the voice of the customer, and make strides
daily toward a shared vision. VA recently instituted a dotted-line performance
management structure based on common performance requirements within the human
resource (HR) functional community. This "matrixed" performance accountability
structure is a critical tool VHA will use to operate as an integrated enterprise.

In order to obtain a deeper understanding of all of the challenges VHA faces, it is also
important to address the resource issues which are at the core of some of our greatest
human capital challenges. The draft report offers many useful process-related
recommendations. However, the capacity issues, HR skills gaps, performance
management systems, and employee engagement issues identified by GAO cannot be
fixed by process changes alone. Substantial resource investments are needed in order
to adequately staff the Department of Veterans Affairs (VA) and VHA HR systems to
fully address these issues. In other words, we cannot just build process—we must also
build capacity.

To that end, VHA is focused on fully leveraging human capital opportunities to support
organizational transformation. We are implementing Critical Pay for our Network and
Medical Center Directors to support recruiting and retaining the highest-performing
individuals. We have also put forward legislative proposals designed to provide greater
scheduling flexibility for our physicians, ensure that VA pay rates for nurses and nurse
anesthetists are competitive with the private sector, and establish an alternative HR
system to Title 38. Changes would result in greater continuity of patient care and create
a more agile HR system for efficiently recruiting and hiring the talented workforce our
Veterans deserve.

It is extremely important to recognize that many of the HR and information technology
(IT) issues highlighted in GAO's draft report are not unique to VA or VHA. Through our
participation as a member of the Office of Personnel Management's (OPM) Chief
Human Capital Officer's Council, VA is working across Federal agency boundaries to
develop common solutions to these government-wide challenges.

VA's ability to implement a modern IT system to support performance management is
directly dependent on the agency's IT appropriation. VA IT development projects can
only be funded from the Department's IT appropriation. For several years, this
appropriation has been relatively flat. Steadily rising operational and maintenance costs

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
**"VETERANS HEALTH ADMINISTRATION: *Management Attention Is Needed to
Address Systemic, Longstanding Human Capital Challenges*"**
(GAO-17-30)

have meant that each year, fewer resources are available for development projects. As a result, limited IT development resources are prioritized for Veteran-facing applications and those "back-of-house" applications that are necessary to support Veteran access to health care, benefits and memorial services. In order to expedite and prioritize this extremely important IT project, VHA recommends allocating more IT funds to advance administrative application development without negatively impacting progress on Veteran-focused applications. In addition, while GAO notes that there are plans to phase out the use of WebHR, such plans are dependent on the development of alternate IT solutions that can deliver substantially comparable functionality to meet VHA's HR operational needs.

We recognize that we must hold our executives accountable and for this reason, VA's Senior Executive Service (SES) performance management system, certified by OPM, goes beyond the minimum standards in Title 5 Code of Federal Regulations for planning, monitoring, evaluating, and rewarding executive performance. GAO notes that in fiscal year (FY) 2013, 80 percent of VA's SES employees were rated in the top two rating categories. However, Federal Government-wide data for FY 2013 show that 89.2 percent of career executives were rated in the top two rating categories. A closer look at data for FY 2013 shows that 21.7 percent of VA career executives were rated at the highest level, compared to 45.2 percent for career executives across the Federal Government, which demonstrates the more rigorous VA standards. Performance plans are the foundation of accountability not only for senior executives, but for the entire workforce. By holding our executives to rigorous standards, VA supports a culture of performance and accountability consistent with our "I CARE" core values (Integrity, Commitment, Advocacy, Respect, and Excellence).

VHA is strongly committed to developing long-term solutions that mitigate risks to the timeliness, cost-effectiveness, quality, and safety of VA's health care system. The content in this draft report applies to high risk areas 1 (ambiguous policies and inconsistent processes), 2 (inadequate oversight and accountability), 3 (information technology challenges), and 4 (inadequate training for VA staff). We will use GAO's findings and recommendations to continue to make improvements and fulfill our mission of honoring America's Veterans by providing exceptional health care that improves their health and well-being.

2

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
*"VETERANS HEALTH ADMINISTRATION: Management Attention Is Needed to
Address Systemic, Longstanding Human Capital Challenges"*
(GAO-17-30)

GAO Recommendation: To improve the capacity of HR functions at VA medical
centers, GAO recommends that the Secretary of Veterans Affairs instruct the
Under Secretary for Health to assign the following responsibilities to the
Assistant Deputy Under Secretary for Health for Workforce Services:

Recommendation 1: Develop a comprehensive competency assessment tool for
HR staff that evaluates knowledge of all three personnel systems (Title 5, Title 38
and Title 38-Hybrid).

VA Comment: Concur. This recommendation is related to High Risk Area 4
(inadequate training for VA staff). The Veterans Health Administration (VHA)
determination of training needs for Human Resource (HR) staff will ensure VHA
provides them the proper training.

As noted in the draft report, the Department of Veterans Affairs (VA) Human Resources
(HR) Academy hosts a competency assessment tool for General Schedule (GS) 201
staff via VA's Talent Management System. This tool allows employees to rate their own
competency, managers to rate their employees, and gaps to be identified as areas for
further training and development.

The HR Academy was recently realigned under the Assistant Deputy Under Secretary for
Health (ADUSH) for Workforce Services, and will further develop the existing competency
models into a comprehensive competency assessment tool for HR staff that evaluates
knowledge of all three personnel systems (Title 5, Title 38 and Title 38-Hybrid) to improve
the capacity of HR functions at VA medical centers. The status is complete as of
November 2016.

Recommendation 2: Ensure that all VHA HR staff complete the competency
assessment tool and use this data to identify and address competency gaps
within HR offices.

VA Comment: Concur in principle. This recommendation is related to High Risk Area
4 (inadequate training for VA staff). Data from the competency tool inform
development of adequate training for HR staff, closing any gaps in HR staff knowledge,
skills, or abilities.

VHA agrees that all HR staff should complete the assessment tool and use these data
to identify and address competency gaps to improve the capacity of HR functions at VA
medical centers.

VA's Deputy Secretary has recently instituted a dotted-line performance management
structure based on common performance requirements within the HR functional

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community. This "matrixed" performance accountability structure is a critical tool VHA will use to operate as an integrated enterprise.

To ensure accountability across the enterprise and that common HR functions are carried out consistently, beginning in fiscal year (FY) 2017 performance cycle, the Assistant Secretary (AS) for Human Resources & Administration (HR&A) will contribute and rate at least one performance requirement or critical element on each matrixed employee's yearly performance agreement or plan. This performance accountability structure will cascade from the AS for HR&A through the ADUSH for Workforce Services, to the lowest level HR supervisor at a medical facility. For Senior Executives or equivalents, the performance requirement rated by the AS for HR&A must constitute at least 10 percent of the annual summary rating. For GS employees, the element rated by the AS for HR&A must be designated as a critical element. The same requirement as a critical element will cascade in the performance plans of all matrixed supervisors within the HR community.

The ADUSH for Workforce Services, Office of Workforce Management Consulting (WMC), and HR&A are in the process of establishing standardized performance measures so year-end ratings for the common elements are well-founded, predictable, and based on the organizational performance results published throughout the year.

Through this matrixed accountability measure, VHA's Office of WMC will ensure that medical center HR offices complete the assessment tool and WMC will collect these data to identify competency gaps within HR offices. The status is in process with a target completion date of September 2017.

Recommendation 3: **Evaluate the extent to which training strategies are effective for improving the skills and competencies of HR staff.**

VA Comment: Concur. This recommendation is related to High Risk Area 4 (inadequate training for VA staff). VHA's assessment of our training strategies ensures VHA is delivering effective education that improves the knowledge, skills, and abilities of our HR staff.

As mentioned above, the HR Academy was recently realigned under the ADUSH for Workforce Services. The HR Academy is responsible for evaluating data gathered via VA's competency assessment tool for GS-201 staff and evaluating the effectiveness of current training programs and strategies.

Successful implementation of the actions outlined in Recommendations 1 and 2 above will provide VA and VHA with reliable data to further evaluate the extent to which

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training strategies are effectively reducing competency gaps for HR staff. The status is
complete as of November 2016.

GAO Recommendation: To improve the capacity of HR functions at VA medical
centers, GAO recommends that the Secretary of Veterans Affairs instruct the
Under Secretary for Health to establish clear lines of authority that provide the
Assistant Deputy Under Secretary for Health for Workforce Services the ability to
oversee and hold medical center HR offices accountable for:

Recommendation 4: Implementing initiatives to improve HR processes within HR
offices as well as monitoring and reporting on the results of these initiatives.

VA Comment: Concur. This recommendation is related to High Risk Area 2
(inadequate oversight and accountability). By ensuring the ASDUSH for Workforce
Services has the proper authority, VHA will strengthen oversight and accountability of
HR processes.

As mentioned above, VA's Deputy Secretary has recently instituted a dotted-line
performance management structure based on common performance requirements
within the HR functional community. Establishing this "matrixed" performance
accountability structure is a critical step tool VHA can use to operate like an integrated
enterprise.

To ensure accountability across the enterprise and that common HR functions are
carried out consistently, beginning in the FY 2017 performance cycle, the AS for HR&A
will contribute and rate at least one performance requirement or critical element on each
matrixed employee's yearly performance agreement or plan. This performance
accountability structure will cascade from the AS for HR&A, through the ADUSH for
Workforce Services, to the lowest level HR supervisor at a medical facility. For Senior
Executives or equivalents, the performance requirement rated by the AS for HR&A must
constitute at least 10 percent of the annual summary rating. For GS employees, the
element rated by the AS for HR&A must be designated as a critical element. The same
requirement as a critical element will cascade in the performance plans of all matrixed
supervisors within the HR community.

The ADUSH for Workforce Services and HR&A are in the process of establishing
standardized performance measures so year-end ratings for the common elements are
well-founded, predictable, and based on the organizational performance results
published throughout the year. The status is in process with a target completion date of
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Recommendation 5: **Requiring all HR staff to complete the competency
assessment tool within HR offices.**

VA Comment: Concur. This recommendation is related to High Risk Area 2 (inadequate
oversight and accountability). By ensuring the ASDUSH for Workforce Services has the
proper authority, VHA will strengthen oversight and accountability of HR activities
including completion of the competency assessment tool.

To improve the capacity of HR functions at VA medical centers, the ADUSH for
Workforce Services will provide the Deputy Under Secretary for Health for Operations
and Management (DUSHOM) with a quarterly report on the rate of completion of the
competency assessment tool by HR staff so that the DUSHOM is able to hold medical
center HR offices accountable for competing the competency assessment tool. The
status is in process with a target completion date of September 2017.

Recommendation 6: **To ensure VHA medical centers make needed improvements
to HR functions, such as those identified by VA's Office of Oversight and
Effectiveness and VHA's Consult, Assist, Review, Develop, and Sustain (CARDS)
review, we recommend that the Secretary of Veterans Affairs provide the
Assistant Secretary for Human Resources and Administration and the Under
Secretary for Health with the oversight responsibility of effectively monitoring the
status of corrective actions at medical center HR offices, and ensuring that
corrective actions are implemented.**

VA Comments: Concur. This recommendation is related to High Risk Area 2
(inadequate oversight and accountability).

VA's AS for HR&A and VHA's ADUSH for Workforce Services agree that clear oversight
responsibility for effective monitoring of corrective actions at medical center HR offices
and ensuring corrective actions are implemented is imperative to improve capacity and
clarity of operations. To address this issue, VA's Deputy Secretary has directed the
Assistant Secretary for HR&A to institute a dotted-line performance management
structure to ensure accountability within the HR functional community.

VHA's ADUSH for Workforce Services will reaffirm the authority of VHA's CARDS team
to hold HR offices accountable for follow-up on recommended and required actions by
issuing clear direction from the Under Secretary for Health, through the Office of the
DUSHOM. The status is in process and the target completion date is March 2017.

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Recommendation 7: To ensure that positions across all VHA medical facilities
are placed in the appropriate class and grade, we recommend that the Secretary
of Veterans Affairs direct the Assistant Secretary for Human Resources and
Administration and the Under Secretary for Health to clarify their lines of
authority and the processes for overseeing and holding VISNs and VHA medical
facilities accountable for the consistent application of federal classification
policies.

VA Comment: Concur. In the Spring of 2016, a working group of subject matter
experts from each administration worked with HR&A to evaluate the current state of
classification in VA. The group's recommendation was to consolidate classification
units within each Administration, with oversight remaining at HR&A.

VHA is exploring how to implement this concept and beginning pilots of alternative
methods of classification oversight, including consolidated classification units at the
Veterans integrated Service Network (VISN)-level and creation of Centers of Excellence
for classification in different job families. The results of these pilots will inform the way
ahead. The status is in process and the target completion date is September 2017.

GAO Recommendation: To accelerate efforts to develop a modern, credible, and
effective performance management system we recommend that the Assistant
Secretary for Human Resources and Administration take the following actions, with
input from VHA stakeholders:

Recommendation 8: Ensure that meaningful distinctions are being made in
employee performance ratings by (1) developing and implementing a standardized,
comprehensive performance management training program for supervisors of Title
5, Title 38, and Title 38-Hybrid employees based on leading practices and ensuring
procedures are in place to support effective performance conversations between
supervisors and employees; (2) reviewing and revising Title 5 and Title 38
performance management policies consistent with leading practices (e.g., require
definition of all performance levels); and, (3) developing and implementing a
process to standardize performance plan elements, standards, and metrics for
common positions across VHA that are covered under VA's Title 5 performance
management system.

VA Comment: Partially Concur. VA is exploring how the Department might move to a
modern way of doing performance management, including reviewing lessons from
companies like General Electric, Accenture, Adobe, and Google. VA expects to begin a
pilot with non-bargaining unit employees in the second quarter, FY 2017, with initial
results expected by July 2017. Results will be used to determine next steps, including
establishing an implementation plan or investigating alternatives.

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In FY 2016, VA launched a new mandatory course for supervisors, New Supervisor
Essentials. VHA added supplementary modules to that training, including a course
entitled Employee Performance Management Training for Supervisors, which covers the
essentials of effective performance management, including developing and
communicating clear performance expectations to employees, use of appropriate
feedback, and dealing with employees who are not meeting performance expectations.
This course provides standardized, comprehensive performance management training
for supervisors.

VA concurs with GAO's assessment that high-performing organizations seek to create
effective incentive and reward systems that clearly link employee knowledge, skills, and
contributions to organizational results. Like the rest of the Federal Government, VA has
been faced with significant caps on awards for several years, resulting in a limited pool
of funds for employee recognition and rewards. Most recently, in addition to the caps
set by OPM and the Office of Management & Budget, Congress established new, VA-
specific award and bonus spending limitations in Section 951 of the Comprehensive
Addiction and Recovery Act of 2016, (CARA, Public Law 114-198). CARA amended
Section 705 of the Veterans Access, Choice, and Accountability Act of 2014 (Public Law
113-146) to cap VA's spending on employee awards and bonuses. Given constrained
funding, VA will pursue ways to maximize effective use of both monetary and non-
monetary awards to promote employee performance.

As noted above, VA is exploring how we might move to a modern performance
management system; this would include an IT enabler, which is also being examined as
part of the pilot expected to begin in second quarter, FY 2017. Additionally, VHA is
entering into its third pilot of an IT system, ePerformance, that allows the development
and sharing of consistent performance standards, goals, and competencies.
ePerformance is a Government off the Shelf (GOTS) product that is used in several
Federal agencies. The product was evaluated by a cross-disciplinary group of subject
matter experts that represented all three administrations, VA Central Office, and the
National Unions. VHA continues to use this product in a pilot environment while all five
of VHA's performance plan types are configured and tested. Feedback from the
previous pilots has been overwhelmingly positive. VHA's expanded use of the
ePerformance system ensures procedures are in place to support effective
conversations between supervisors and employees, including electronic certification of
those conversations. Broad implementation of this technology, as well as any future
system, will require adequate IT funding. The status is in process and the target
completion date is October 2018.

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Recommendation 9: **Ensure that ratings-based performance awards are
administered in a manner that is consistent with leading practices and promotes
improved employee performance.**

VA Comment: See answer to Recommendation 8.

Recommendation 10: **Develop a plan for how and when it intends to implement a
modern IT system to support employee performance management processes.**

VA Comment: See answer to Recommendation 8.

GAO Recommendation: **To better monitor and improve employee engagement,
we recommend that the Under Secretary for Health:**

Recommendation 11: **Establish clear and effective lines of authority and
accountability for developing, implementing, and monitoring strategies for
improving employee engagement across VHA such as by establishing an
employee engagement office at the VHA headquarters level with appropriate
oversight of VISNs and medical center initiatives.**

VA Comment: Concur in principle. This recommendation is related to High Risk Area
2 (inadequate oversight and accountability). Improving employee engagement is one of
VHA's top priorities and ensuring that the VA Central Office supports VISNs and
medical centers in this endeavor will provide for increased employee satisfaction and
ultimately better service for our Veterans.

VHA agrees that better monitoring of employee engagement efforts is needed. VHA's
National Center for Organizational Development (NCOD) will closely collaborate with
HR&A's Employee Engagement Service, and establish employee engagement
oversight through a committee or sub-committee of VHA's governance structure, the
National Leadership Council (NLC).

NCOD will endeavor to integrate best concepts, questions and practices from the
Federal Employee Viewpoint Survey and VA All Employee Survey (AES) into a single
unified survey, to provide comprehensive and cohesive information (with less confusion)
and reduce survey burden/fatigue.

NCOD will improve support for action planning, based on survey results, and emphasize
action planning at workgroup level, since engagement is local. NCOD will improve
support for all levels of leadership, since employee engagement is directly related to the
behavior of immediate supervisors (including team development, ethics consultation,
executive coaching, VA Voices, 360s, just culture consultation, Civility Respect and

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Engagement in the Workplace [CREW], stress prevention, workgroup consultation, just culture, etc.). The status is in process with a target completion date of September 2017.

<u>**Recommendation 12:**</u> **Ensure that VHA and VISN entities jointly develop (1) a system to facilitate sharing of employee engagement leading practices/lessons learned; and (2) a strategy to help address barriers to improving engagement, particularly for those medical centers with the lowest engagement scores.**

<u>**VA Comment:**</u> Concur. To facilitate sharing of employee engagement leading practices and lessons learned, NCOD will interview top AES performers and most improved sites to ascertain best practices and share these widely within VHA and among the VISNs. NCOD will also coordinate with VHA's Diffusion Council to improve effective dissemination of leading practices. NCOD will continue to provide customized data analytics support to help medical centers and program offices determine which factors drive employee engagement at local sites.

NCOD will offer employee engagement action planning support based on current survey results to all medical centers with low employee engagement scores; this process will help identify and address any barriers to engagement. NCOD will collaborate with the NLC Employee Engagement committee and the VHA program office for Operations and Management to support development, monitoring and implementation of employee engagement strategies, particularly at low performing sites, and will monitor follow-up on actions recommended at NLC strategic planning summit to increase employee engagement.

These actions are to:
- Fill leader vacancies;
- Support "Innovate Learn Engage Anticipate Deliver" (ILEAD) behaviors which help improve Employee Engagement and culture notably transparency, accountability, psychological safety, and innovation. VA's ILEAD leadership model is centered around the principles of Servant Leadership, grounded in I CARE values, built on transformational leadership practices, and aligned with OPM's Executive Core Qualifications; and
- Provide adequate leadership development to all levels, particularly front line supervisors.

The status is in process with a target completion date of September 2018.

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Appendix IV: GAO Contact and Acknowledgments

GAO Contact

For further information regarding this statement, please contact Robert Goldenkoff, Director, Strategic Issues, at (202) 512-2757 or goldenkoffr@gao.gov.

Staff Acknowledgments

Individuals making key contributions to this statement include Steven Lozano, Assistant Director, Thomas Gilbert, Assistant Director, Heather Collins, Analyst-in-Charge, Tamara Stenzel, Analyst-in-Charge; Carl Barden, Karen Cassidy, Jehan Chase, Camille Henley, Meredith Moles, Steven Putansu, Gloria Ross, and Albert Sim.