



Audit Report

Office of Inspector General for Audit

Report: 98-HQ-169-0001

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TO: Sam E. Hutchinson, Acting Director, Office of Human Resources, AHR

FROM: Kathryn M. Kuhl-Inclan, Assistant Inspector General for Audit, GA

SUBJECT: Review of Non-career Senior Executive Service (SES) Qualifications

We completed a review of non-career Senior Executive Service (SES) qualifications within HUD. Our primary objectives were to determine whether HUD: (1) prepared required qualification standards in accordance with Office of Personnel Management (OPM) guidelines for non-career SES positions, and (2) evaluated whether individuals met the standards before they were appointed to the SES.

We found that HUD's personnel procedures did not include establishing required qualification standards and evaluating whether non-career executives met the standards prior to their appointment to the SES. As a result, HUD's procedures did not comply with the Civil Service Reform Act of 1978 (Public Law 95-454) and applicable regulatory requirements. We are recommending actions to ensure HUD is selecting non-career executives that meet mandatory qualifications.

Within 60 days, please give us, for each recommendation in the report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of the audit.

We appreciate your staff's cooperation during the audit. Should you or your staff have any questions concerning the audit or the report process, please contact Michael R. Phelps, Deputy Assistant Inspector General for Audit, on (202) 708-0364.

Executive Summary

We completed a review of non-career SES qualifications within HUD. Our primary objectives were to determine whether HUD: (1) prepared required qualification standards for non-career SES positions, and (2) evaluated whether individuals met the standards before they were appointed to their SES positions. This report contains one finding concerning weaknesses in this appointment process.

HUD had not prepared written qualification standards for any of the 18 non-career executives with approved appointments as of January 1998. The Office of Human Resources (OHR), which has responsibility for ensuring that HUD's non-career executives are qualified, was unaware that OPM regulations and the Civil Service Reform Act of 1978 required written qualification standards for each non-career SES position. OHR staff indicated that, to their knowledge, the Department had never prepared written qualification standards for any non-career SES position. While OHR screened the non-career SES candidates' resumes against OPM's core qualifications for executives, it had not evaluated the candidates' experience and education against written qualification standards for their specific positions before appointment to the SES, as required. Further, the post-appointment qualification standards OHR prepared for three non-career executives, at our request, did not fully meet the criteria OPM established for such standards. As a result, HUD did not comply with OPM regulations and the 1978 Reform Act.

HUD's process for filling non-career SES appointments requires corrective actions. OHR indicated that, based on our finding, it began preparing written qualification statements for all new non-career executives appointed after January 5, 1998. However, additional actions are necessary. Accordingly, we are recommending that HUD, to the extent practicable, revise its process so that it conforms with the intent of the 1978 Reform Act and OPM regulations. If HUD implements our suggested improvements, both HUD and OPM will have greater confidence that the Department's top managerial, supervisory, and policy positions are held by qualified non-career executives.

Table of Contents

Management Memorandumi

Executive Summary.....ii

Table of Contentsiii

Introduction.....1

Finding and Recommendations3

Appendices

 1. Distribution6

Abbreviations:

- HUD Department of Housing and Urban Development
- OHR Office of Human Resources
- OPM Office of Personnel Management
- PPO Presidential Personnel Office
- SES Senior Executive Service

Introduction

Background

The Senior Executive Service (SES) is a separate personnel system covering most top managerial, supervisory, and policy positions in the federal government. SES employees serve in key positions just below top Presidential appointees. The Civil Service Reform Act of 1978 (Public Law 95-454) established the SES. Requirements for SES employment can be found in the Code of Federal Regulations (5CFR317 and 5CFR214) and the US Code (5USC3131 through 5USC3134, 5USC3392, and 5USC3394).

The two types of SES positions are General and Career reserved. General positions may be filled by career, non-career, limited emergency, or limited term appointees. Career reserved positions may be filled only by career appointees. The agency head is responsible for establishing written qualification standards for each SES position before any individual is appointed to that position. Federal regulations (5CFR317.402 and 317.403) provide criteria for developing qualification standards for both Career reserved and General positions.

Within HUD, the Director, Office of Human Resources (OHR) in Headquarters and the three Administrative Service Center Directors are responsible for developing, administering, and evaluating the personnel management program. OHR's specific functions include classification, staffing, training, labor and employee relations, performance management, incentive awards, pay administration, and leave management. In the non-career SES appointment process, OHR is responsible for establishing written qualification standards for each position and evaluating prospective executives' experience, education, and abilities against the standards before they receive appointments to the SES.

Organizationally, OHR's Director reports to the Deputy Assistant Secretary for Resource Management and Operation. The Deputy Assistant Secretary reports to the Assistant Secretary of Administration, Office of Administration, who directs the Department's budget and administrative affairs.

The Office of Personnel Management (OPM) is the primary agency in the Executive Branch responsible for assisting the President in managing the federal work force. OPM's role in the non-career SES appointment process is to forward to the Presidential Personnel Office (PPO) an agency's certification and letter requesting approval for appointing an individual to a specific position. OPM does not review agencies' determinations that non-career SES candidates are qualified, as it does with their determinations for career employees. If the PPO approves the

appointment, it notifies OPM, who sends the agency a written notification. In addition, OPM is responsible for tracking the number of non-career SES positions at each agency because of Congressionally-mandated ceilings on such appointments.

HUD's current authorized number of SES positions is 116. HUD is limited to 20 non-career appointments due to a congressional mandate. At the time of our review, HUD had filled 18 of the 20 non-career SES positions.

Audit Objectives, Scope, and Methodology

Our primary objectives were to determine whether HUD prepared required qualification standards for non-career SES positions and evaluated whether individuals met the standards before they were appointed to the SES. Our audit generally covered all non-career SES appointments in effect as of January 1998.

We performed the audit at HUD Headquarters in Washington, DC. Specifically, we interviewed HUD and OPM officials on the non-career SES approval process and their roles, obtained information on HUD's procedures, and reviewed the 1978 Reform Act and applicable federal regulations to determine the requirements and criteria for establishing the qualification standards.

We conducted the audit in accordance with generally accepted government auditing standards. Because our audit objective was limited and specific, we did not study, evaluate, or rely on the systems of internal controls to carry out our audit.

We presented our findings, and conclusions to responsible officials during several meetings and at a close-out conference held on May 18, 1998. We requested their oral comments and modified our report where appropriate, based on our evaluation of the comments.

Finding

HUD Needs to Improve Procedures For Establishing Qualification Standards for Non-Career SES Positions

OHR, which has responsibility for ensuring that HUD's non-career executives are qualified, was unaware that OPM regulations and the Civil Service Reform Act of 1978 required that agencies establish written qualification standards for each non-career SES position. Consequently, HUD has not complied with OPM regulations and the Civil Service Reform Act of 1978.

OHR acknowledged that, for the 18 non-career SESs holding appointments as of January 1998, it had not prepared required qualification standards prior to their appointment. While OHR screened the non-career SES candidates' resumes against OPM's core qualifications for executives, it had not evaluated the candidates' experience, education, and abilities against written qualification standards established for their specific positions before their appointment to the SES. However, OHR surmised that most non-career appointees would have met the standards had they been established because they held general administrative positions. After we brought the requirement to OHR's attention, OHR began preparing written qualification standards for all new non-career SESs hired after January 1998.

At our request, OHR prepared post-appointment qualification standards for three non-career executives. Federal regulations (5CFR317.402 and 317.403) provide criteria for developing qualification standards for both Career reserved and General positions. In our opinion, the qualification standards OHR prepared did not fully meet the regulatory criteria for such standards. While OHR's standards included appropriate educational requirements for the positions, they did not discuss with sufficient detail the breadth and depth of the skills and abilities that are essential for successful job performance and cannot reasonably be acquired on the job during the customary orientation/training period.

<p>Requirements for Non-Career SES Appointments</p>
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OPM regulations and the Civil Service Reform Act of 1978 (the Act) require that each agency head establish written

qualification standards for each Career reserved and General SES position. Agencies must meet this requirement before they can appoint any individual to an SES position.

To assist the agencies, OPM regulations contain specific criteria for developing qualification standards for Career reserved positions. Agencies may use the same

criteria for developing non-career executives' qualification standards. If they do not, they must consult OPM before developing the standards.

The criteria for qualification standards requires that they:

- a. must be in writing and identify the breadth and depth of the professional/technical and executive/managerial knowledge skills, and abilities, or other qualifications, required for successful performance in the position;
- b. must be specific enough to enable applicants to be rated and ranked according to their degree of qualifications when the position is being filled on a competitive basis;
- c. must be job related; and,
- d. may not include minimum experience or education requirements beyond that authorized for similar positions in the General Schedule (5CFR317.402).

HUD's Non-Career SES Selection Process

As a general practice, non-career SES position vacancies are not advertised. Instead, OHR obtains position descriptions from the program offices with vacancies and screens resumes submitted by potential non-career executives against the position descriptions. OHR also determines whether the candidates meet OPM's mandatory Executive Core Qualifications for all SES positions. These core qualifications include the ability to carry out strategic vision, human resource management, program development and evaluation, resource planning and management, and organizational representation and liaison.

Once OHR is satisfied that a non-career executive meets OPM's core qualifications, it prepares a letter to OPM for the Deputy Secretary's signature requesting OPM approval of the non-career executive and certifying that the individual meets SES qualifications. According to OHR staff, the signature package provided to the Deputy Secretary does not contain documentation supporting the certification.

We noted that OPM does not review the Department's determinations that individuals are qualified for non-career SES positions as it does with career employees. Instead, OPM relies on the accuracy of the Department's certification when it refers the requested appointments for the Presidential Personnel Office's approval.

In conclusion, since non-career SESs hold highly responsible positions that set Departmental policies and may legally bind the Department, it is of great importance that individuals holding the positions are qualified. While we commend OHR for taking action to assure that qualification standards are now prepared prior to appointment, we believe additional actions are required to bring the Department's non-career SES appointment process into compliance with the Act and OPM regulations.

Recommendations:

We recommend that you:

- 1A. Prepare written qualification standards for all non-career SES positions in accordance with the Act and regulatory requirements as stated in 5CFR317.402.
- 1B. Request OPM's review of the qualification standards your staff prepares to ensure that they meet established criteria, or alternative criteria acceptable to OPM.
- 1C. Conduct post-appointment reviews of all non-career executives currently holding positions and ensure that they meet the qualification standards established for their positions. If any individuals do not meet the qualification standards, seek OPM guidance to determine how to handle the matter.
- 1D. Advise the Deputy Secretary of any non-career executives that do not meet the qualification standards established for their positions and recommend appropriate corrective actions, including reassignments.
- 1E. Revise your non-career SES appointment process to ensure consistency with the intent of the Act and regulatory requirements, and maintain appropriate documentation to justify each non-career executive's selection, certification, and appointment.
- 1F. Include supporting documentation as part of each signature package forwarded for the Deputy Secretary's certification and transmittal to OPM for obtaining approval of non-career SES appointments. The documents should include the qualification standards established for the position and a brief explanation of how the individual's experience and education satisfies the qualification standards.

Appendices

Appendix 1

Distribution

Acting Deputy Secretary, SD, (Room 10100) (3)
 Chief of Staff, S (Room 10000)
 Acting Assistant Secretary for Administration, A (Room 10110) (2)
 Acting Assistant Secretary for Community Planning and Development, D (Room 7100) (2)
 Acting Assistant Secretary for Housing-Federal Housing Commissioner, H (Room 9100) (2)
 Acting Assistant Secretary for Public and Indian Housing, P (Room 4100) (2)
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