

Office of Inspector General

Report Highlights

Date: February 4, 2008

Title: Strengthening Management Oversight of the Knowledge Transfer/Retention Program

Findings: We found that the reemployment of annuitants under the Knowledge Transfer/Retention Program offers GAO additional flexibility and that the agency's policies and procedures are largely consistent with OPM regulations. In addition, we found that management oversight of the program should be strengthened to (1) ensure that all appointments are made in a manner that is consistent with GAO orders; (2) controls are put in place to address compliance with generally accepted government auditing standards (GAGAS) requirements and other GAO policies; and (3) efforts are made to mitigate appearances of inconsistent treatment, which could put GAO's reputation at risk. Also, we found that HCO should maintain more accurate and complete data on Knowledge Transfer/Retention Program participants. We are recommending actions to improve the overall management of the program and strengthen key policies, procedures, and internal controls.

Recommendations: Our recommendations include

- assessing whether knowledge transfer/retention appointments were successful and
- revising the GAO order on reemployed annuitants to address requirements for financial disclosure reporting and continuing professional education.



GAO

Accountability * Integrity * Reliability

Memorandum

Date: February 4, 2008

To: Executive Committee

From: Inspector General – Frances Garcia

Subject: Strengthening Management Oversight of the Knowledge Transfer/Retention Program

We have completed our review of GAO's Knowledge Transfer/Retention Program covering the period January 2004 through August 2007—a program that provides for the reemployment of retired civilian employees who are receiving an annuity. GAO established this program to retain the expertise of retiring employees so they could transfer knowledge, train and mentor new staff, and ensure the successful accomplishment of mission-critical responsibilities. The program was established to address unusual circumstances caused by continuity and succession concerns resulting from the agency's downsizing and reduced hiring in the 1990s. When the program went into effect in 2003, about 38 percent of GAO's analysts and related staff had less than 5 years of GAO experience and a significant percentage of experienced employees were eligible to retire. Federal agencies are generally required to reduce a reemployed annuitant's salary by the amount of the annuity, unless specific waivers are granted by the Office of Personnel Management (OPM). GAO is not required to seek approval from OPM since the Comptroller General has authority to waive the salary offset requirements.

Overall, we found that this program offers GAO additional flexibility and that the agency's policies and procedures are largely consistent with OPM's regulations for the reemployment of federal retirees. At the same time, we determined that the program could benefit from strengthened management oversight to ensure that all aspects of its implementation are comprehensively monitored, evaluated, and adjusted as necessary. Specifically, our review shows that

- documentation to support key decisions could be improved to ensure that all appointments under this program are made in a manner that is consistent with GAO's order and with the stated criteria for the program;
- the Human Capital Office (HCO) should maintain more accurate and complete data on Knowledge Transfer/Retention Program participants;

- better controls should be put in place to address compliance with generally accepted government auditing standards (GAGAS) requirements and GAO policies; and
- more comprehensive oversight of the program is needed to mitigate appearances of inconsistent treatment, which could put GAO's reputation at risk.

We are recommending actions to strengthen the overall program and improve key policies, procedures, and internal control activities.

Our overall goal was to ensure that the program is operating in compliance with its objectives, policies, and procedures and to identify any potential misuse of the program that may put GAO at risk. This review is particularly timely since the Congress is considering legislation that would allow federal agencies to temporarily rehire federal retirees, without reductions in annuity benefits, in order to help mitigate workforce shortages, fill skill gaps, and train the next generation of federal workers. In this context, GAO may be asked to comment on its own experience and on how the agency has managed its own program.

Background

Current statutes generally prevent federal retirees from earning both a full annuity and salary if they return to federal employment after retiring. Under the dual compensation restrictions, salaries of retirees who rejoin the federal workforce are reduced by the amount of their annuities to prevent them from earning both a full salary and full annuity. The statutes also provide that agencies faced with emergencies, recruiting or retaining difficulties, or other unusual circumstances may request a salary offset waiver from OPM on a case-by-case basis. However, GAO has independent authority to grant those waivers. Under the authority provided by 5 U.S.C. 8344 and 8468, the Comptroller General can waive the reduction in salary when he determines that there is a need to (1) meet an exceptional recruitment or retention need and (2) meet an emergency or other unusual circumstances, including knowledge transfer and/or succession planning.

GAO's Order 2553.1 specifies the policies and procedures governing GAO's reemployment of annuitants with and without salary offset waivers. Appendix I of the order specifically addresses the reemployment of annuitants under the Knowledge Transfer/Retention Program. Under this program, annuitants can be appointed temporarily, generally not to exceed 1 year; they can be appointed on a part-time or intermittent work schedule not exceed 40 hours per pay period. Those appointed on a part-time basis have a regular work schedule and are eligible to earn sick and annual leave. Those appointed on an intermittent basis do not have a regular work schedule and do not earn annual and sick leave. Employees must be retired and off the GAO rolls in order for a request for a waiver to be considered. Reemployed annuitants serve at the discretion of the Comptroller General, who can terminate their appointments at any time; they are ineligible for performance-based

compensation and promotion considerations; and are exempt from performance appraisal requirements.

HCO has overall responsibility for the program and a program manager is in charge of evaluating the individual GAO units' requests for appointments under the Knowledge Transfer/Retention Program. HCO makes a recommendation to the Comptroller General who is solely responsible for authorizing a salary offset waiver. Once approval is obtained, HCO notifies the units of the terms of the appointment. In addition, HCO ensures that the authorized number of work hours is not exceeded and notifies GAO managers when the appointments are close to expiring.

The standard operating procedures (SOPs) for managing the Knowledge Transfer/Retention Program require that units making a request to hire a specific annuitant provide a business case justifying the need to reemploy the annuitant and a succession plan on how the knowledge will be transferred. The HCO program manager uses this information, along with the performance appraisal averages and the SRS scores for the last 3 years, to make a determination about the merits of each request and to inform the Chief Human Capital Officer as to whether he/she should recommend to the Comptroller General that a salary offset waiver be granted. HCO then prepares the waiver memorandum for the Comptroller General's signature. The Chief Operating Officer and the Chief Administrative Officer also review the proposed waiver appointment and recommend for or against it to the Comptroller General.

PROGRAM OFFERS ADDITIONAL FLEXIBILITIES AND IS GENERALLY CONSISTENT WITH OPM RULES

The Knowledge Transfer/Retention Program has provided the agency with additional flexibility to address knowledge transfer needs and to accomplish mission-critical responsibilities. In general, the program is considered to be a win-win situation. For example, Financial Management (FM) officials credit the work of two reemployed annuitants with part of the agency's success in conducting its first comprehensive internal control evaluation (A-123 Review) and receiving a clean opinion on its financial statements in fiscal year 2006. Most of the reemployed annuitants and supervisors that we interviewed were very positive about the flexibilities and advantages that the program offers. For the annuitants, it allows them to return to work on a flexible schedule without salary offset penalties. For the supervisors, the program affords them the flexibility to retain unique knowledge and expertise on a short-term basis.

Our review shows that GAO implemented policies and procedures for this program in a manner that is generally consistent with OPM regulations although the agency is not subject to those rules. OPM can approve the reemployment of annuitants without a reduction in salary when there are emergencies or "other unusual circumstances" that require their services. GAO's attorneys have determined that GAO's knowledge transfer and/or succession needs are considered other unusual circumstances. GAO's attorneys said that they held discussions with OPM about this interpretation.

Recently, OPM issued further clarification on when it is possible to grant a waiver on the grounds of “other unusual circumstances” that do not rise to the level of a true emergency. According to OPM, “other unusual circumstances” may include, but are not limited to,

- the need to conform to a congressional or other mandate to meet new or expanded mission requirements by a particular date and
- instances when an annuitant is needed on a temporary basis because he or she possesses a security clearance, authorization, or other similar credential needed to perform mission-critical work, which cannot be obtained by other employees in a reasonable amount of time in order to complete or continue the work.

While OPM does not specifically cite knowledge transfer as one of the grounds for granting a waiver under “other unusual circumstances,” GAO’s order generally comports to the OPM language regarding the need to retain certain credentials to perform mission-critical work. For example, it also describes the need to retain the expertise of employees and ensure the successful accomplishment of mission-critical responsibilities.

SUPPORT FOR KEY DECISIONS COULD BE IMPROVED

Our review shows that some salary offset waiver authorizations and other key documents could provide better justifications for the knowledge transfer/retention appointments. This would ensure that all appointments under this program are made in a manner that is consistent with GAO’s order and with the stated criteria for the Knowledge Transfer/Retention Program. It also shows that currently there is no evaluation of these appointments.

Salary Offset Waivers

GAO’s order provides the criteria for appointing annuitants to the Knowledge Transfer/Retention Program. It states that the purpose of the program is to retain the expertise of former GAO employees in order to transfer knowledge, train and mentor new staff, and ensure the successful accomplishment of mission-critical responsibilities.

We analyzed the HCO files for 50 of the 51 reemployed annuitants to determine the extent to which these criteria were met and determined that all but one of the 51 reemployed annuitants were or are GAO employees. In one instance, we found that the reemployed annuitant was not a former GAO employee; at the time of the appointment the person was working as a GAO contractor. We also verified that for 50 of the 51 reemployed annuitants in our list, HCO had ensured that a salary offset waiver signed by the Comptroller General was obtained. HCO did not provide documentation for 1 of the 51 reemployed annuitants that were identified.

In further analyzing the HCO records, we found that almost all of the 50 files contained waivers that claimed a mission-critical need. In about half of the cases (27 of 51), the waiver documentation discussed the proposed appointee's unique knowledge and expertise and stated that it would be transferred to others. In 23 cases, however, we noted that the justifications for the waiver under the Knowledge Transfer/Retention Program were somewhat questionable. In several cases, the waiver document did not address knowledge transfer; rather, the annuitants were brought back to complete specific tasks and not to train others. To illustrate, one reemployed annuitant was to prepare a guide on issuance of unclassified reports; another was to expedite production of a FISCAM manual;¹ and another was to lead a team to improve GAO's inspection program. In these instances, it may have been more appropriate to request the appointment under other authorities provided for in the GAO order, such as exceptional retention needs. This provision contemplates the retention of an individual who is uniquely qualified for an ongoing project and the Comptroller General may also waive the reduction in salary for this type of appointment.

We also identified some cases where the appointees did not appear to have unique knowledge or expertise. For example, one annuitant's expertise was described as knowledge of GAO policies and procedures, a good writer who had prepared many briefings, testimonies, and reports. In other instances, the knowledge and expertise that the individuals possessed did not seem related to the position that they were asked to fill. For example, two individuals were appointed to fill staff shortages as advisors in the PDP program, but neither had held these positions previously.

Business Cases and Succession Plans

Our review also shows that the reemployed annuitants' files did not always contain other important documentation—the business case memorandum and the succession plans. For example, of the 50 HCO files we reviewed, 36 did not have a business case memorandum. The business case justifies the unit's request for an appointment under the Knowledge Transfer/Retention Program with a salary offset waiver as well as the unit's need for a particular retiree's skills, knowledge, and expertise, and how long the temporary appointment is expected to last. We also found that of the 14 HCO files that had business case memorandums, more than half did not specifically request a waiver of the salary offset requirements and two did not identify the specific knowledge or expertise that was expected to be transferred to others.

We found a similar situation with respect to the succession plans. Our review shows that 25 of the 50 files reviewed did not contain a succession plan. The succession plan is intended to provide details on the specific knowledge to be transferred and the person(s) to whom knowledge is to be transferred. Of the 25 files containing a succession plan, we found that many did not identify the specific staff members that were expected to receive the transfer of knowledge. Without this information, it is difficult for managers to assess whether program objectives are met.

¹ Federal Information System Controls Audit Manual (FISCAM).

Finally, we examined the reemployed annuitants' files to determine whether performance appraisal data was included and found that in seven cases that information was not in the files.² Again, this required information is important to ensure that qualified annuitants are considered.

Overall, we concluded that more documentation should be maintained to support the rationale for placing reemployed annuitants in the Knowledge Transfer/Retention Program and to comply with the SOPs. In discussing these findings with the HCO program manager, we learned that often the documentation is obtained via phone calls or e-mails and that, in general, these forms of communication about proposed appointments do not make it into the individual files. In conclusion, given the problems we identified, this program could be better managed.

Evaluation

Finally, we received several comments that point to the need for some method for evaluating and documenting whether a particular knowledge transfer/retention appointment was successful and met its intended objectives. It is a good management practice to adopt a method for evaluating an annuitant's contributions and performance so that, if GAO would have a future need for their services, there would be a basis for making that decision.

MORE ACCURATE AND COMPLETE DATA ON PROGRAM PARTICIPANTS IS NEEDED TO IMPROVE PROGRAM MANAGEMENT

With regard to program management, our review identified several concerns that hamper GAO's ability to provide accurate and timely data on this program. For example, HCO could not provide the IG's office with a comprehensive list of all of GAO's reemployed annuitants whether they were reemployed as part of GAO's Knowledge Transfer/Retention Program or for other reasons. We also found several discrepancies between HCO reemployed annuitant files and the National Finance Center (NFC) database and pointed out those discrepancies to HCO during the course of this review. HCO noted that the office is already taking steps to ensure that the correct codes are used.

Identification of Reemployed Annuitants

One of the major challenges in this review was identifying the employees who were reemployed annuitants. At the beginning of this review, HCO was unable to provide a complete list of these employees and it may still not have a complete and accurate count. In compiling our list of reemployed annuitants hired under the Knowledge Transfer/Retention Program, we learned that HCO's program manager was manually maintaining a list of program participants. At the same time, staff in the Chief

² Of the 50 files we reviewed, 9 were SES files that did not contain performance information. SES do not receive comparable performance scores. HCO reports that the Executive Committee is very familiar with SES performance and, therefore, HCO does not request or review such data.

Administrative Office who manage full-time equivalent (FTE) positions for GAO provided us with a list of all reemployed annuitants from GAO's payroll and personnel information system.

Our comparison of HCO and NFC data, however, shows that some reemployed annuitants did not appear on the NFC list. We found that 10 reemployed annuitants were not properly coded as reemployed annuitants with salary offset waivers. In one case, the NFC database identified an individual as a reemployed annuitant, but HCO said that the person had never received such an appointment; rather, he was a consultant. In another case, HCO's list identified an individual as a reemployed annuitant but he did not appear on the NFC list. We notified HCO of these inconsistencies and received assurances that HCO is taking corrective action so that the coding errors we identified are corrected and new reemployed annuitants are properly coded in the future.³ With properly coded data, GAO should be able to obtain a report based on NFC data that lists all reemployed annuitants with or without salary waivers. This report is critical to ensure that reemployed annuitants are paid the proper amount. GAO does have full-time reemployed annuitants who do not have salary offset waivers, and because these reemployed annuitants obtain the annual cost-of-living adjustment in their annuities, GAO needs to update their salary offset each year. Accurate data is essential for this task.

CONTROLS ARE NEEDED TO ENSURE COMPLIANCE WITH GAGAS AND GAO POLICIES

Our review shows that important knowledge transfer/retention policy documents are silent or vague with regard to key GAGAS standards. Specifically, the documents do not address whether program participants should be required to file financial disclosures, obtain prior approval for outside activities, file statements of independence, and comply with continuing professional education requirements. In this context, it is important to note that reemployed annuitants are federal government employees who may be entrusted with multiple levels of responsibility, such as testifying on GAO's behalf.

Also, because GAO plays such a critical role in the development and issuance of these auditing standards and is so intrinsically committed to their application, we believe that GAO's reemployment of annuitants order and its appendix on the Knowledge Transfer/Retention Program cannot afford to be silent on these matters and that these documents should be modified to specifically address the GAGAS independence and competence standards.

³ From these efforts of obtaining data from HCO and at the same time obtaining queries from the NFC database, we were able to identify 51 knowledge transfer/retention reemployed annuitants covering the period January 2004 through August 2007.

Independence Standard

GAO requires all employees—whether temporarily or permanently employed—to adhere to high standards of conduct. An important control for protecting GAO from its employees having conflicts of interest is the periodic filing of (1) financial disclosure reports and (2) forms granting prior approval to engage in outside activities. In addition, to comply with the GAGAS independence standard, GAO has a process for its auditors to periodically assert their independence and objectivity during an engagement; one part of this process is a requirement to file an annual statement of independence.

From our discussions with the current reemployed annuitants and administrative staff responsible for maintaining these reports, we learned that there was confusion as to whether reemployed annuitants had to comply with the requirements to file financial disclosure reports and obtain prior approval for engaging in outside activities. GAO Order 2553.1, Reemployment of Annuitants, does not specifically mention that reemployed annuitants must comply with these requirements. In addition, GAO Order 2735.1, Code of Ethics Including Employee Responsibilities and Conduct, and GAO Order 2735.2, Conflicts of Interests and Reports of Financial Disclosure, do not specifically mention reemployed annuitants. The orders do state that employees must file financial disclosure reports and the forms that grant employees approval to engage in outside activities. While reemployed annuitants are not specifically mentioned in either of these orders, GAO's Deputy Ethics Officer stated that since reemployed annuitants are employees, they must comply with these requirements.

Even though GAO's orders are not explicit on this matter, we selected 22 reemployed annuitants appointed during 2006 and 2007 to test the extent to which these requirements were met. We identified compliance problems in about 60 percent (13 of 22) of the cases we tested as follows:

- 6 of the 13 did not file either financial disclosure reports or independence statements,
- 4 reemployed annuitants filed the required documents late, and
- the units responsible for 3 other reemployed annuitants could not provide some or all of the filings that we requested.

We also found that 3 of the 22 reemployed annuitants had obtained forms granting them permission to engage in outside activities. Since this is a self-reporting activity, we do not know if everyone complied with this requirement.

Professional Competence Standard

Auditors working on GAGAS engagements are subject to its continuing professional education (CPE) requirements. These requirements apply to both full- and part-time auditors. Acknowledging the fact that GAO's policy documents are silent regarding these requirements for reemployed annuitants, we checked the training records for

25 of the 51 reemployed annuitants to determine whether they had training while they were reemployed annuitants. According to GAO's Training Information System data, 13 reported no training during their time working as reemployed annuitants and 12 reported some training.

Through interviews, we learned that eight current and one former reemployed annuitants did not consider themselves subject to CPE compliance or were uncertain about whether they were required to comply. One supervisor assumed that a reemployed annuitant did not have to comply as she was appointed for 6 months. Another supervisor thought that since the reemployed annuitant was working only 40 hours per pay period, he would not have to comply with CPE requirements.

We discussed this matter with staff from the Learning Center who told us that it is up to unit managers to determine, based on their work, which employees are subject to CPE requirements. We also consulted with GAO's experts on GAGAS and their conclusion similarly places responsibility for making such determinations on unit management. The experts also noted that there are certain exclusions to the CPE requirements for certain individuals, including interns and external consultants. They noted, however, that the role of individuals assigned to work on GAO audits should be considered when determining whether exemptions apply. The "substance" (role) over "form" (the job title) helps to ensure that the organization complies with the GAGAS CPE requirement. Finally, the experts noted that reemployed annuitants with a small break in service could be viewed as being continuously covered by GAO's 2-year CPE period.

In summary, our review shows that many of the knowledge transfer/retention reemployed annuitants had roles and responsibilities involving planning, conducting, directing, or reporting. As such, GAO should have a clearly stated policy that provides direction to unit managers as to which reemployed annuitants are subject to CPE requirements. Otherwise, the agency may be at risk of issuing products (including reports and testimonies) affirming that the work was conducted in accordance with generally accepted government auditing standards when, in fact, important components of the yellow book standards may not have been met.

MORE COMPREHENSIVE OVERSIGHT OF THE PROGRAM IS NEEDED

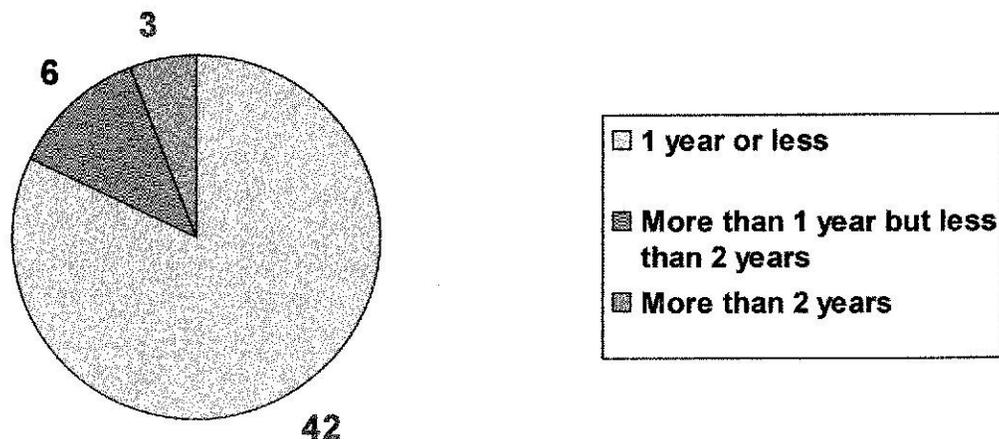
Our review indicates that, as currently implemented, the program raises some concerns that could put GAO's reputation at risk. These concerns include the extent to which diversity, competitiveness, and potential appearances of preferential treatment are being taken into account when making the appointments. For example, the Office of Opportunity and Inclusiveness (OOI) provided data showing that of the 51 annuitants with waivers of salary offsets, 90 percent are Caucasians and 78 percent are males. According to OOI, there has been no effort to address diversity when making these appointments. We also determined that 4 annuitants who completed lengthy Knowledge Transfer/Retention Program appointments subsequently became sole-source contractors performing essentially the same work as they were performing under the Knowledge Transfer/Retention Program. A fifth

employee retired and then quickly became a sole-source contractor; subsequently, the individual became a reemployed annuitant. Finally, some SES appointees to the Knowledge Transfer/Retention Program give the appearance of having received preferential treatment with regard to salary, length of appointments, and work schedules, as compared to the appointments of non-SES staff.

Length of Appointments

By definition, the appointments of annuitants with waivers of salary offsets are temporary—GAO’s order limits appointments to 1 year with the possibility for extensions of up to 1 additional year. For the 51 knowledge transfer/retention reemployed annuitants we examined, the terms of their appointments ranged between 2 months and 3 years. As shown in figure 1, the length of these appointments was generally consistent with GAO’s order—most reemployed annuitants (42 out of 51 or 82 percent) worked for 1 year or less. However, 3 were retained for more than 2 years—2 were SES and 1 was a Band III. The Comptroller General signed special waivers that allowed these reemployed annuitants to stay beyond the 2-year limit. While we acknowledge that the Comptroller General has the authority to override the specific provisions of GAO’s orders when special circumstances so require, we note that lengthy appointments are not consistent with the temporary employment focus of the Knowledge Transfer/Retention Program.

Figure 1: Duration of Appointments for GAO’s Reemployed Annuitants



Source: OIG analysis of NFC data.

Work Schedules

Our review shows inconsistencies with regard to the type of work schedules that are approved for knowledge transfer/retention appointees. That is, even though GAO’s order allows for both part-time and intermittent appointments, HCO’s program

manager explained that she recommends that knowledge transfer/retention reemployed annuitants be appointed on an intermittent basis because it is felt that they are already receiving substantial benefits by having their salary offset waived. Under an intermittent appointment, reemployed annuitants do not earn annual and sick leave. Our analysis shows that 7 of the 51 reemployed annuitants had part-time work schedules that allowed the earning of annual and sick leave for all or a portion of their appointments. Of these, 5 were SES and 2 were Band IIs. In the group of 51 reemployed annuitants we reviewed, 5 of the 9 SES had part-time appointments while 2 of the 42 other reemployed annuitants had part-time work schedules.

In discussions with 8 current reemployed annuitants (all of whom are either Band IIs or Band IIIs and have intermittent work schedules) and their supervisors, we learned that most of them generally described the work schedules as a regular part-time position. That is, they have regular work schedules that may fit under the part-time definition. Here again, since the benefits associated with a part-time appointment were conferred for the most part to the SES reemployed annuitants, we raise this matter as an area where GAO should have sound criteria that is consistently applied to avoid any appearance of preferential treatment.

Differences in Salary Increases for Reemployed Annuitants

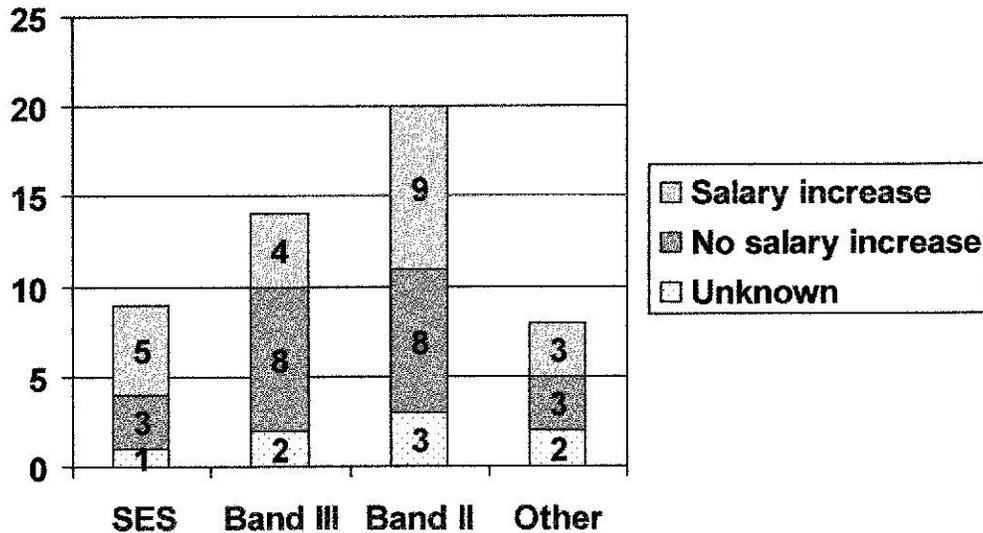
Regarding salary increases, our review indicates that this aspect of the program is not sufficiently addressed in the GAO order. For example, the order states that program participants will not receive performance appraisals. Further, it states that the non-SES appointees are not eligible to be assessed under the performance-based system for either performance-based compensation or promotion.

Our analysis shows that increases to reemployed annuitants' salaries were not implemented consistently. Based on an NFC data report, we determined that about half (21) of 43 reemployed annuitants received salary increases either (1) during their tenure as reemployed annuitants or (2) upon their return to employment as reemployed annuitants.⁴ Our analysis also shows that 2 of the 21 individuals that received a salary increase while working as reemployed annuitants were SES appointees who received increases of \$7,500 and \$12,500, respectively. In the case of the other 19 reemployed annuitants, HCO reemployed them at salaries higher than their salary at the time of retirement. At the same time as mentioned above, many other reemployed annuitants returned at their same salary they received when they retired. The average salary increase for these 19 reemployed annuitants was \$4,527 and ranged from \$1,273 to \$23,300.

Figure 2 shows differences in percentage of reemployed annuitants who had salary changes by pay plan or grade. For example, our analysis of available salary data shows that 5 of the 8 (or 63 percent) SES reemployed annuitants have salary increases, while 4 of 12 (or 33 percent) of the Band IIIs had salary increases.

⁴ For 8 of the 51 reemployed annuitants, we did not have NFC salary data.

Figure 2: Number of Reemployed Annuitants with Salary Increases, by Pay Plan or Grade



Source: OIG analysis of NFC data.

In searching for either guiding policy or documented justifications for these salary decisions, HCO could not identify or provide the rationale or supporting documentation for any of the 21 salary increases that we identified. In summary, it appears that GAO does not have a clear and transparent policy on increasing the salaries of reemployed annuitants and is not maintaining documentation to support salary increases.

Reemployed Annuitants Becoming Sole-Source Contractors

Our review shows that some reemployed annuitants went on to become GAO contractors on a sole-source basis. However, GAO Order 0625.1, U.S. General Accounting Office Procurement Guidelines, states “To the maximum extent possible, GAO will not make sole-source awards to experts/consultants nor to former GAO employees.” Specifically, based on records provided by Acquisition Management (AM), we determined that 4 of the 51 (8 percent) Knowledge Transfer/Retention Program reemployed annuitants quickly became sole-source contractors for GAO upon completion of their appointments. Another employee retired, quickly became a sole-source contractor, and then a reemployed annuitant. Three of the 5 (60 percent) were SES; the other 2 included a Band III and a GS-14. In reviewing the contract documents, we found that generally these individuals continued to provide the same type of services they provided as reemployed annuitants.

We discussed this issue with the AM Director, a procurement attorney, and other AM staff. They told us that AM does not get involved in determining whether reemployed annuitants become contractors. To their knowledge, there is no database in GAO

that captures former employees returning to GAO as reemployed annuitants, consultants/experts, and/or contractors. They said that these are separate functions that work independently of one another. They further explained that contracts with former employees are usually entered into so that a project or job can be finished and that the procurement attorney conducts a review to ensure that that sole-source contracting is appropriate. In order to justify sole-source contracting, the following conditions must exist: (1) there is one unique source available to do the work and (2) there is urgency—that is; there is no time to compete the work.

We acknowledge that the appointment of reemployed annuitants and the selection of sole-source contractors are separate functions independent of one another. We are concerned, however, about the appearance of preferential treatment of senior-level employees who, without the need to compete, continued to provide services for GAO under one type of appointment or another for extended periods of time. Table 1 summarizes the particulars of five appointments that we analyzed in detail and serves to illustrate the concerns that, in our view, could put GAO's reputation at risk.

Table 1: Five Reemployed Annuitants Were Also Sole-Source Contractors

Grade	Tenure of knowledge transfer appointment	Dates for sole-source contract(s)	Known value of contract
SES	June 2003 – July 2006	Oct. 2006 – May 2007	\$7,400
SES	April 2005 – June 2006	June 2006 – June 2008	\$160,000
SES	Feb. 2004 – Feb. 2007	Feb. 2007 – Feb. 2008	\$74,880 ^a
Band III	Feb. 2005 – Feb. 2006	Feb. 2006 – present	\$58,500 ^b
GS-14	Feb. 2004 – May 2004	Jan. 2004 – Feb. 2004	\$5,255

^aIndividual's last day as a GAO contractor was May 23, 2007; therefore, the individual only received partial payment under this contract.

^bAs of Aug. 16, 2007.

Demographics

During this review, we also analyzed the demographic profile of GAO's reemployed annuitants. Results of this analysis are contained in attachment 2.

Conclusions

GAO's Knowledge Transfer/Retention Program is an important management tool that gives GAO additional flexibility to address staffing challenges caused by the retirement of experienced staff. However, because the program offers considerable financial benefits to its participants, close management oversight of its implementation should be maintained. As illustrated by the problems and concerns we identified during our review, the implementation of the program should be strengthened to ensure that the appointments are properly justified, that GAGAS

standards are consistently met, and appearances of unequal treatment are reduced or eliminated.

Recommendations

To help ensure that GAO establishes effective internal controls for its Knowledge Transfer/Retention Program, we recommend that the Chief Human Capital Officer

- Set up controls to ensure that only those retirees who meet GAO's criteria for knowledge transfer/retention appointments are hired under that program.
- Establish a method for assessing whether individual knowledge transfer/retention appointments were successful.
- Ensure that key reemployed annuitant documents required by the SOPs are obtained and maintained in centralized files.
- Establish clear criteria for what should be in the required documents.
- Revise the GAO reemployment of annuitants order to address requirements for financial disclosure, outside employment, and independence statements, and to address CPE requirements.
- Revise the GAO CPE order specifically to address CPE requirements for reemployed annuitants, including the factors that managers need to consider in determining who should comply.
- Give broader management oversight of the program; periodically compile a report on the status of the program, including the number of appointees, types of appointment, length of appointments, and diversity mix.

To further help ensure that GAO management has complete oversight, we recommend that the Chief Administrative Officer set up mechanism to coordinate and provide oversight of contracting with former reemployed annuitants.

To help ensure that GAO engagements are GAGAS compliant, we recommend that Team Managing Directors examine the role and responsibilities of reemployed annuitants to ensure that reemployed annuitants working on GAGAS-related engagements are compliant with CPE requirements.

To help ensure that the program is administered in a fair and equitable manner, we recommend that the Managing Director, OOI, periodically review the program and provide advice, as necessary, to program managers.

We discussed our review results and recommendations with the Chief Administrative Officer and members of her staff responsible for this program and have incorporated their comments where appropriate.

Attachments - 2

cc: Ms. Heckmann
Mr. Stroman
Ms. Willett

Attachment 1

Objectives, Scope, and Methodology

The objectives of this review were to (1) evaluate GAO's overall implementation of the Knowledge Transfer/Retention Program, (2) assess the internal controls to manage the program, and (3) identify any potential misuse of the program's intended purpose and objectives that may put GAO at risk.

To accomplish the first objective, we obtained GAO Order 2553.1, Reemployment of Annuitants, and compared and contrasted its provisions to those issued by the Office of Personnel Management (OPM). To further understand GAO's interpretation of certain OPM provisions pertaining to reemployed annuitants, we worked with the Office of General Counsel. We worked primarily with the Human Capital Office (HCO)—the unit within GAO's Chief Administrative Officer's (CAO) office that is responsible for administering the program. From HCO, we obtained the pertinent standard operating procedures and an understanding of how the program is being implemented. To address GAGAS compliance and other matters, we worked with the Deputy Ethics Counselor and with the Financial Management and Assurance team. To determine whether reemployed annuitants are complying with GAGAS independence and competence requirements, we reviewed the provisions of the yellow book and the pertinent GAO orders. We tested a subset of the 51 reemployed annuitants that HCO was able to identify to determine the extent to which financial disclosure and independence statements were filed and the extent to which continuing professional educational requirements were met.

To accomplish the second objective, we asked HCO to provide a comprehensive list of all of GAO's reemployed annuitants covering the period January 2004 through August 2007, including those that were in the Knowledge Transfer/Retention Program. We worked with CAO's staff responsible for generating GAO-wide FTE and staffing summary reports to try to reconcile reemployed annuitants information provided by HCO with information contained in the National Finance Center (NFC) database. We identified inconsistencies between HCO and NFC data and identified errors in coding that explained the problems we were having in determining the number of reemployed annuitants. In the course of our work, we provided HCO with a list of those inconsistencies and received assurances that corrections are being made. For the list of 51 knowledge transfer/retention participants that were identified, we requested and reviewed all of HCO's records to test compliance with the standard operating procedures. For example, we verified whether a justification for a salary offset waiver had been provided and approved by the Comptroller General, whether appointment extensions were justified and approved, whether business cases and succession plans were submitted, and whether performance data was included. In addition, we analyzed the number of extensions granted, the total time served under each appointment, whether the reemployed annuitants were granted intermittent versus part-time appointments, and whether they received salary increases. Finally, we interviewed all of the current knowledge

transfer/retention reemployed annuitants and their supervisors to obtain their direct observations on the program.

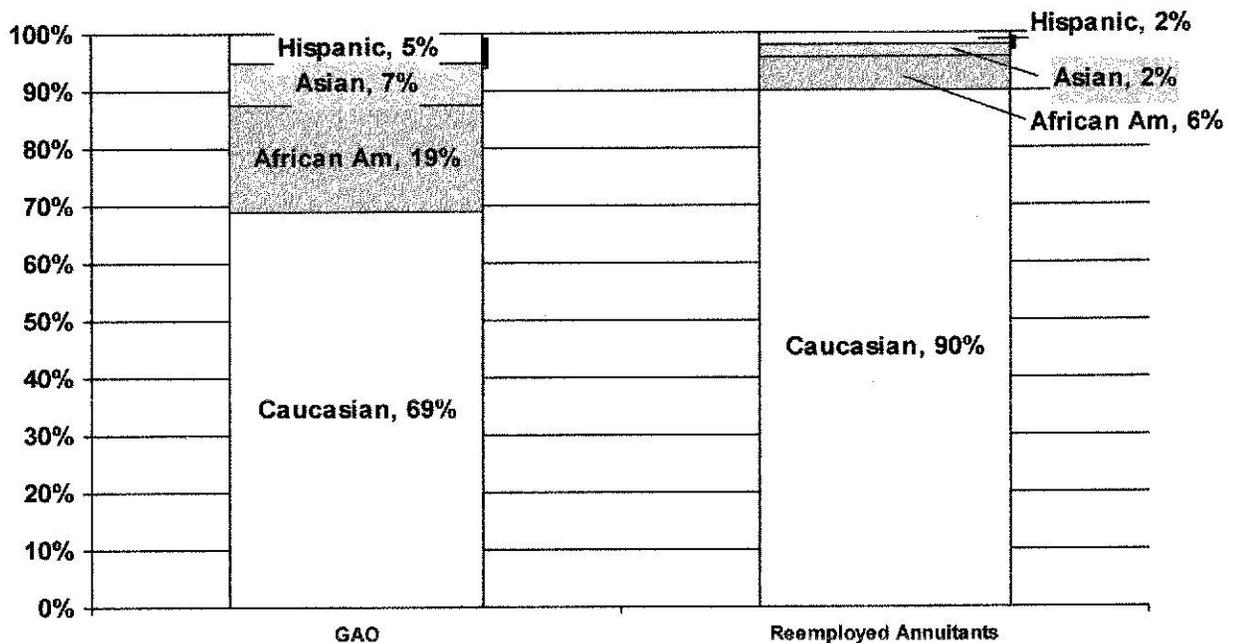
To address the third objective, we obtained and analyzed data regarding the 51 reemployed annuitants' diversity, salaries, terms and types of appointments, number of extensions, and conversions to sole-source contractors. In this regard, we worked with, and obtained records from, the Acquisition Management Office, the unit within the Controller/Administrative Services Office that is responsible for procurement of services for GAO. We obtained data on race and gender from GAO's Office of Opportunity and Inclusiveness, and we obtained salary information from the NFC database and CAO.

We conducted this performance audit (from May 2007 of audit start date to December 2007 of product issuance) 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.

Demographics

According to GAO’s Office of Opportunity and Inclusiveness (OOI) data, 46 of the 51 (90 percent) knowledge transfer/retention reemployed annuitants are Caucasian—37 are white males and 9 are white females. Figure 3 compares the demographics for this group with those of GAO as a whole. As shown, the representation of minorities in the knowledge transfer/retention group is below GAO’s overall representation of these groups.

Figure 3: Comparison of Demographics Data for the 51 Knowledge Transfer/Retention Program Participants and GAO’s Employees



Source: OOI data.

We discussed this data with the OOI Managing Director who indicated that OOI had not previously examined the demographics of the Knowledge Transfer/Retention Program. We noted that there are significant advantages to the former GAO employees who return to work under this program because they receive a full pension and full salary as compared to other reemployed retirees whose salaries are reduced by the amount of their annuity. From this perspective, OOI would want to ensure that the program advantages are distributed in an equitable and fair manner. The Managing Director also noted that it would be important to identify the recipients of the transfer of knowledge to ensure that it is conferred in an equitable manner.