



The Library of Congress
Office of the Inspector General



Human Resources Services

*Employment Incentives
and Flexibilities: More Education
and Communication Needed*

Audit Report No. 2010-PA-103
July 2010

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UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

TO: James H. Billington
Librarian of Congress

July 21, 2010

FROM: Karl W. Schornagel
Inspector General

A handwritten signature in black ink, appearing to read 'Karl W. Schornagel'.

SUBJECT: *Employment Incentives and Flexibilities: More Education and Communication Needed*
Audit Report No. 2010-PA-103

This transmits our final report on the audit of the Library's use of employment incentives and flexibilities. The Executive Summary begins on page *i*, and complete findings and recommendations appear on pages 6 to 18. The Director of Human Resources' response to the draft report is briefly summarized in the Executive Summary and in more detail after individual recommendations. The complete response is included as an appendix to the report.

Based on the written comments to the draft report, we consider all of the recommendations resolved except for recommendations I.a. and I.b. that require your approval. Please provide comments on these two recommendations and, within 30 calendar days, an action plan addressing implementation of all recommendations, including implementation dates, in accordance with LCR 211-6, Section 11.A.

We appreciate the cooperation and courtesies extended by the Office of Workforce Acquisitions and the Human Resources Services Director and staff during this audit.

cc: Chief of Staff
Chief, Support Operations

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▶ EXECUTIVE SUMMARY

The Library's two most significant assets are its priceless collections and its human capital. Without the work of almost four thousand dedicated employees, the Library could not fulfill its mission; our staff provides the nexus between more than 144 million items in its collections and 309 million customers: the Congress and the American people. As with all employers, the Library compensates and motivates its staff in a variety of ways. Salary is clearly one – but not the only – cornerstone of compensation. There is a wide range of other incentives and flexibilities from which the Library may draw as it competes with other employers to recruit, hire, and retain individuals with strong, modern-day skills, knowledge, and abilities. This report provides the results of an audit we performed to assess the Library's use of those incentives and flexibilities. Our objectives were to assess the Library's use and control of incentives and flexibilities in two areas: recruitment and retention of staff. Summaries of significant issues we identified during our audit follow.

Library Officials not Fully Aware of Available Hiring Incentives Despite HRS' Efforts—One of the key factors for effectively using employment flexibilities is to educate managers and employees on the availability and use of flexibilities.¹ Our survey revealed that:

- nearly 50 percent of the Library's managers are unfamiliar with most recruitment incentives;
- 63 percent are unsure if funding for incentives is included in their organization's budget; and
- 85 percent do not make use of incentives when recruiting staff.

We attribute these results to 1) ineffective communication by HRS, 2) a lack of commitment by some managers to learn about human capital management, and 3) the failure of senior officials to hold managers accountable for effective human capital management. Although HRS has taken several actions in recent years to improve understanding about human capital

¹ *Building on the Current Momentum to Transform the Federal Government*, Statement of J. Christopher Mihm, GAO Managing Director, Strategic Issues, GAO-04-976T, July 20, 2004.

flexibilities among Library managers and its own staffing specialists, more work is needed. We recommend that all Library managers be required to attend HRS' quarterly forums and complete refresher training annually on material in the *Supervisors Handbook*. We also recommend that HRS assign a point person to be responsible for ensuring that members of the Flexibilities Working Group² pass the group's information on to managers.

The Library Uses Incentives and Flexibilities Less than Other Federal Government Agencies—Recruitment and retention incentives are used slightly less by the Library as compared to other agencies. Library officials we interviewed indicated that, for the most part, they do not have a compelling need to implement employment incentives because their organizations are not facing significant recruitment and retention challenges. Nonetheless, HRS should focus its attention on hard-to-fill positions that might benefit from the use of hiring incentives.

Better Controls are Needed For Retention Incentives—We found that controls for recruitment incentives were, on the whole, adequate. However, HRS needs to provide stronger oversight for retention incentives. HRS can enhance its controls for recruitment incentives by providing managers with checklists and examples of well-written incentive justifications. Moreover, the Library selection officials should assess in each case whether the use of an employment incentive would be cost-effective. To accomplish this, HRS should provide relevant financial information, such as the cost of turnover and filling vacancies, to assist managers in performing a cost-benefit analysis. This will provide managers with the tools needed to make well-informed decisions.

HRS management agreed with our findings and recommendations but deferred two recommendations to senior management.

² HRS established the Human Capital Flexibilities working group in 2007 to ensure service/support units are familiar with and clearly understand the various flexibilities available.

▶▶ BACKGROUND

The qualities which the Library of Congress believes its workforce must embody are succinctly captured in the Library's current strategic plan, which states, "[a] talented and diverse workforce is at the heart of the Library of Congress and its vision for the future."³ Attracting and retaining well-qualified personnel in today's fast-paced business environment requires that the Library be competitive with other employers to effectively address its staffing requirements.

Library policies, procedures, and systems for recruiting, hiring, and developing staff are designed and implemented by the Library's Human Resources Services (HRS) organization, working in partnership with Library service and infrastructure units. Specifically, HRS' Office of Workforce Acquisitions assists hiring officials and selection panels in developing criteria for recruiting and attracting suitable candidates, making employment offers, and bringing new staff on-board. HRS also provides guidance to Library managers and supervisors who face the prospect of losing long-time, valued employees to other organizations, either within or outside the Library.

There are a variety of incentives and flexibilities, available in general to the entire government, which managers can offer to generate interest in a Library position. Many of these are detailed in the Library's new *Supervisors Handbook*⁴ that HRS issued in the latter part of 2009. The handbook includes sections on incentives and flexibilities such as:

- Recruitment Bonus,
- Relocation Allowance,
- Retention Allowance,
- Student Loan Repayment Program,
- Superior Qualifications and Special Needs Pay Setting,
- Leave Credit for non-Federal Service, and
- Conversion of an Indefinite or Indefinite Not To Exceed Appointment to Permanent.

³ The Library of Congress Strategic Plan, Fiscal Years 2008 to 2013.

⁴ The Library's 45-page *Supervisors Handbook* was issued in November 2009 and includes two pages devoted to employment flexibilities titled *Selected Library of Congress Flexibilities Available for Management Officials to Recruit, Hire, and Retain Staff*.

*Authority and Rates for Recruitment,
Relocation, and Retention Incentives*

Authority for recruitment and retention incentives outlined in the *Supervisors Handbook* is provided through the United States Code and the Code of Federal Regulations. For example, 5 USC 5754 and 5 CFR 575.301 authorize the Library to pay a retention allowance to a current employee under certain circumstances (detailed below). Similarly, 5 CFR 575.101 and 201 authorize the Library to pay recruitment and relocation bonuses to attract and retain highly qualified applicants.

Based on these authorities, section 12 of Library of Congress Regulation (LCR) 2013, *Recruitment, Relocation, and Retention Incentives* (issued July 28, 2009) authorizes the Library to pay recruitment and relocation bonuses to attract and retain highly qualified applicants to positions which have been or the Library expects to be difficult to fill. Likewise, the LCR authorizes payment of a retention allowance to a current employee if (1) the unusually high or unique qualifications of the employee, or a special need of the Library for the employee's services, makes it essential to retain the employee in his or her current capacity, and (2) the Library determines that the employee would be likely to leave Federal service in the absence of a retention allowance.

Service and infrastructure units set the recruitment, relocation, or retention incentive pay rate for a qualified employee. The rate can be a percentage up to 25 percent of the employee's basic rate of pay. The Library paid one recruitment incentive and six retention allowances, but no relocation incentives during calendar year (CY) 2009.

Rates Above the Minimum Pay Level

Library hiring officials may appoint, or reappoint after a 90-day break in service, an applicant to a position at a pay rate above the minimum step under certain circumstances.⁵ To do so, the hiring official must provide justification of 1) the candidate's superior qualifications for a particular position and proof that the candidate would be forfeiting income

⁵ LCR 2013, Section 12, *Pay Administration, Retention Allowance, and Relocation and Recruitment Bonus*, issued July 28, 2009.

greater than the minimum step of the grade of the position being offered⁶ or 2) a special need of the Library for the candidate's services. In CY 2009, 31 newly-hired applicants were offered this incentive.

Leave Credit for Non-Federal Service

The Library has the flexibility to offer a newly-appointed employee leave credit for prior non-Federal service, or active duty uniformed service.⁷ Under normal practice, a new employee begins to accrue annual leave credit at the rate of four hours per pay period. However, the Library could allow a new employee to begin accruing six or eight hours of annual leave per pay period instead (depending on the extent of their allowable prior non-Federal Service). In CY 2009, seven newly-hired applicants were offered this incentive.

Repayment of Federally Insured Student Loans

The program for repaying federally-insured student loans⁸ is intended to facilitate the recruitment and retention of highly qualified employees. Specifically, the program provides an incentive for (1) selected candidates to accept a Library position that may be otherwise difficult to fill and (2) highly competent employees with critical skills or knowledge. The Library was using the program principally to retain top talent at the time that we performed our audit work. The relevant LCR authorizes student loan repayments up to \$10,000 per year and a maximum of \$60,000 per employee. In CY 2009, two employees received this incentive.

⁶ This means the applicant's existing pay is more than the offered position pay level at step one. "Existing pay" is defined in this instance as the candidate's actual income from his or her present position and from any outside employment that forms a regular, continuing portion of the candidate's total income and that the candidate will not be able to continue to earn as a Federal employee.

⁷ LCR 2015 Section 5.B. 2., *Leave Administration, Annual Leave, Creditable Service for Leave, Non-Standard Service Credit Accrual Rates*, issued September 10, 2007.

⁸ LCR 2017-6, *Repayment of Student Loans*, issued May 5, 2004.

Intern and Cooperative Programs

The Library makes use of intern programs to hire some new employees: the Presidential Management Fellows (PMF) Program and the Library of Congress Hispanic Association of Colleges and Universities (HACU) Cooperative Education Program. Each of these programs facilitates hiring through streamlined hiring procedures and targeted recruitment activities.

The PMF Program is managed by the Office of Personnel Management (OPM) and is for students who have completed graduate-level course work in a variety of disciplines including law, library science, business, public administration, and engineering. The program offers the student a two-year paid fellowship at the GS-9 level, and potential for accelerated promotion. The Library may hire PMF finalists without using the standard hiring process.⁹ The Library hired four new employees through the PMF Program in CY 2009.

The Library's HACU Cooperative Education Program (Co-op) is described in HRS Directive 7-05-08. In addition to providing a flexible hiring option to the Library's service and support units, the program provides a means to partially address the under-representation of Hispanics in the Library's workforce. HRS works with interested supervisors at the beginning of each HACU program cycle (three per year) to identify positions to be filled through the program and develop appropriate job descriptions and qualification requirements to be submitted to HACU. For each job description submitted, HACU matches and provides a minimum of three student applications to HRS. Selected students who successfully complete a minimum of 640 hours of career-related work at the Library may be converted noncompetitively to permanent-conditional positions for which they qualify within 120 days of completing their academic degree requirements. In CY 2009, the Library hired two HACU Co-op participants.

⁹ HRS has Made Strides in Improving Recruiting and Hiring, but Opportunities for Improvement Still Exist (Audit Report No. 2009-PA-101, November 2009), determined that the Library's hiring process averaged about 110 days per vacancy filled.

► OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this performance audit to assess the Library's use and control of incentives and flexibilities in the recruitment and retention of staff. Specifically, we sought to determine whether 1) HRS is effectively educating managers and supervisors about the Library's various incentives and flexibilities, 2) the Library's use of employment incentives and flexibilities is comparable to their use by other government agencies, and 3) HRS is providing effective administration and oversight of employment incentives and flexibilities.

To accomplish our objectives, we 1) interviewed HRS officials and reviewed applicable LCRs, HRS Directives, and the Library's *Supervisors Handbook*, 2) issued a Web-based survey to collect information from Library managers regarding their familiarity and use of employment incentives (nearly 64 percent (i.e., 309 of 485 Library managers responded to our survey), 3) obtained statistical data from HRS on the Library's use of incentives from CY 2007 through CY 2009, 4) obtained OPM's data on other agencies' use of incentives, and 5) examined supporting documentation for the Library incentives which were paid in CY 2009 and determined if each one was properly documented with a written justification, approved by a Library official, and calculated in compliance with the corresponding LCR(s).

We limited our scope to the PMF and HACU Co-op programs and five employment incentives, including those for recruitment (i.e., recruitment bonus), relocation, retention, pay rates above the minimum level, and increased leave credit. We anticipate completing a separate audit of the Library's Telework Program by September 2010.

We performed our audit fieldwork from December 2009 through March 2010. We conducted this performance audit in accordance with generally accepted government auditing standards and LCR 211-6, *Functions, Authority, and Responsibility of the Inspector General*. 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 conclusions based on our audit objectives.

► FINDINGS AND RECOMMENDATIONS

The Library has available a wide range of employment incentives and flexibilities to help it attract and retain a highly competent workforce. Nearly half of the Library's managers, however, are not familiar with a majority of those flexibilities. As a result, the Library may not be as competitive with other employers as it could be in attracting, hiring, and retaining high quality staff.

We also found that HRS' administration and oversight of the Library's recruitment incentives is generally effective. However, better control is needed in the administration of retention incentives to ensure that recommending officials clearly meet their responsibilities.

Details on the foregoing and other significant issues that we identified during this audit are provided in the following sections.

I. Library Officials are not Fully Aware of Available Hiring Incentives Despite HRS' Efforts

According to the Government Accountability Office, one of the key factors in effectively using employment flexibilities is to "Educate managers and employees on the availability and use of flexibilities."¹⁰ Ultimately, employment incentives and flexibilities are only beneficial when the managers who could administer them are aware not only that they exist, but also of the best ways in which they could be used.

Unfortunately, our survey revealed that a general lack of knowledge exists among the Library's managers about the Library's employment incentives. Our survey showed that:

- Nearly 50 percent of the Library's managers are not familiar with most recruitment incentives,
- 85 percent do not make use of employment incentives when recruiting staff, and

¹⁰ *Building on the Current Momentum to Transform the Federal Government*, Statement of J. Christopher Mihm, GAO Managing Director, Strategic Issues, GAO-04-976T, July 20, 2004

- 63 percent are unsure whether funding for recruitment incentives is part of their service or support unit’s strategic and human capital planning budget.

We attribute these results to 1) ineffective communication by HRS regarding the Library’s employment incentives and

Table 1: Crosswalk of Incentive Education Efforts and Knowledge Level		
Flexibility/Incentive	Percent Not Familiar*	HRS Efforts to Educate**
Federal Student Loan Repayment Program	52.1	Page 10
Recruitment Bonus	60.7	Page 9 and LCR 2013, <i>Pay Administration</i> issued July 28, 2009
Relocation Pay	43.0	Page 9 and LCR 2013, <i>Pay Administration</i> issued July 28, 2009
Leave Credit for prior non-Federal work experience	52.8	Page 10 and LCR 2015, <i>Leave Administration</i> issued September 10, 2007
Setting Pay Above the Minimum	22.1	Page 10
Presidential Management Fellows Program	57.0	Presidential Management Fellow (PMF) Program Supervisor Development Program Briefing held March 2, 2010. Two managers/supervisors attended.
HACU National Internship Program	48.8	Human Resources Directive 7-05-08, <i>The Library of Congress Hispanic Association of Colleges and Universities Cooperative Education Program</i> , October 2, 2006
* Percent of Managers Indicating Lack of Familiarity With an Incentive and HRS’ Corresponding Efforts to Educate. Ratings collected from March 8 to 29, 2010.		
** Page numbers refer to the <i>Supervisors Handbook</i> .		

flexibilities, 2) a lack of commitment by some managers to learn about human capital management, and 3) senior Library officials not effectively holding managers accountable for effective human capital management. Correcting these shortcomings is important because insufficient and ineffective use of employment flexibilities could significantly hamper the Library’s ability to recruit, hire, retain, and manage its human capital.

Managers claim that they do not make use of the Library’s employment

incentives because HRS has not provided guidance and education to them regarding the incentives. In fact, HRS received a D+ in our survey for providing clear guidance on the topic. Additionally, service units told us that HRS often provided inconsistent information.

To be fair, HRS has recently taken a number of steps to improve its communications with Library managers; the criticism it received stems from past failures to adequately convey critical information. Table 1 crosswalks some of our survey results to specific actions HRS has recently taken to improve communications, such as issuing a *Supervisors Handbook* in December 2009.

Actions HRS took intending to increase understanding about the flexibilities among managers include:

- Establishing a Human Capital Flexibilities Working Group in 2007. Members represent each service/support unit and are responsible for communicating information to their respective managers;
- Creating a quarterly Supervisors Forum (the first was held in November 2009) to facilitate dialogue and familiarize supervisors with resources that provide guidance for managing Library employees;
- Issuing a new *Supervisors Handbook* in late 2009 which includes a section titled “Selected Library of Congress Flexibilities Available for Management Officials to Recruit, Hire, and Retain Staff;”
- Preparing a paper titled “Recruitment Flexibilities At a Glance,” which provides brief descriptions of the flexibilities and a “Pre-Recruitment Worksheet” to provide a tool for the Staffing Specialist and the Selecting Official to consider all available recruitment and hiring flexibilities when filling vacancies; and
- Making a presentation on the PMF Program in March 2010.

Actions by HRS notwithstanding, our survey results demonstrate that additional work is needed to improve its communication. Moreover, in addition to making them aware of the Library’s incentives, HRS must also ensure that managers have the information they need to determine whether an incentive should be authorized and provide them with the tools they need to process incentives.

While HRS actions need to be taken to improve the organization’s communications about the Library’s incentives and flexibilities, action also needs to be taken by senior Library management to hold managers accountable for attending HRS training, reading guidance, and passing information regarding incentives and flexibilities to their staff.

The remaining factor to which we attribute the results of our survey is a lack of commitment by some managers to learn about human capital management (e.g., by attending relevant meetings, staying abreast of current HRS policies and directives, etc.). Only about half of invited managers attended the first Supervisors Forum. Likewise, only two Library managers attended HRS' March 2010 presentation on the PMF Program. This may explain why our survey showed that fewer than half of respondents indicated that they were familiar with the PMF program.

Effective communication is a key control and calls for communications to constantly flow down, across, and up the organization to help it achieve all of its objectives.¹¹ Such communication within the Library would improve managers' understanding of the incentives/flexibilities that are available and the appropriate ways that they should be used.

Recommendations

1. We recommend that the Library require all managers to:
 - a. Attend, at least once a year, the HRS quarterly forums for supervisors; and
 - b. Complete on-line refresher training annually on material in the *Supervisors Handbook*, similar to the training required annually on Information Technology Security Awareness.

2. We recommend that HRS assign a point-person to be responsible for ensuring that members of the Flexibilities Working Group pass the group's information to their respective managers.

Management Response

HRS concurred with our findings and recommendation 2 and deferred action on recommendation 1 to Library senior management.

¹¹ Standards for Internal Control in the Federal Government, AIMD-00-21.3.1 November 1, 1999.

II. Library Use of Incentives Slightly Lower than Other Agencies

Overall, compared to other federal agencies, the Library uses recruitment and retention incentives slightly less.

Use of employment incentives varies among the Library’s organizations. For example, officials associated with Library Services and the Copyright Office told us that, for the most part, they do not have a compelling need to implement employment incentives because their organizations are not facing significant recruitment and retention challenges. The Copyright Office explained that, the office recently received over 600 applications for just 16 job vacancies. On the other hand, officials of the Congressional Research Service told us that, in their view, an added incentive is often needed to enable their organization to effectively compete with other agencies for talented staff.

a. Recruitment Incentives

In its CY 2009 report to OPM on the Library’s use of recruitment, relocation, and retention incentives, HRS reported that “[t]he Library’s authority to use recruitment incentives as a tool not only enhanced our ability to address hard-to-fill positions, but also provided increased flexibility, enabling us to more effectively negotiate with highly qualified applicants who may have otherwise looked to other federal agencies or the private sector for career opportunities.”

Table 2. Library’s Use of Selected Incentives/Flexibilities (Calendar Years 2007 to 2009)			
Incentive/Flexibility	2007	2008	2009
For Recruitment:			
Recruitment Bonus	2	2	1
Above the Minimum	42	28	31
Leave Credit	9	11	7
Relocation Incentive	0	1	0
Total Recruitment Incentives	53	42	39
Total Hires	314	386	350
Recruitment Incentives as a Percent of Hires	16.9%	10.9%	11.1%
For Retention:			
Retention Incentive	7	10	6
Federal Student Loan Repayment	2	1	2
Total Retention Incentives	9	11	8
Retention Incentives as a Percent of Total Library Staff	0.23%	0.28%	0.21%

We used OPM data for CYs 2007 and 2008 to benchmark the Library’s use of recruitment bonuses against the use of such bonuses by four other agencies.¹² We selected agencies that are comparable to the Library in staff size (the Agency for

¹² OPM had not released its CY 2009 report by the time we completed our fieldwork for this audit.

International Development and Federal Trade Commission) or similar to the Library in function (the National Archives and Records Administration and Smithsonian Institution). The data show that the Library’s use of recruitment bonuses (expressed as a percentage of total staff) was below that of two of the four agencies.

We also used the same data to compare the average recruitment bonuses that the Library paid in CYs 2007 and 2008 with the average amounts paid government-wide. The data show that the average amounts that the Library paid were slightly less than the government-wide average amounts for each of those years.

Table 3. Comparison of the Library’s Use of Recruitment Incentives With Selected Agencies						
	CY2007			CY2008		
	Number	Average	Percent of Total Staff	Number	Average	Percent of Total Staff
Library of Congress	2	\$6,764	0.05%	2	\$4,750	0.05%
Agency for International Development	-	-	-	1	21,571	0.04%
Federal Trade Commission	6	4,355	0.55%	7	10,857	0.64%
National Archives and Records Administration	-	-	-	2	11,587	0.06%
Smithsonian Institution	14	7,874	0.31%	15	7,482	0.33%
Government Average		\$7,454			\$7,543	

Source: OPM’s CY 2007 and CY 2008 Recruitment, Relocation, and Retention Incentives Report to the Congress

OPM does not track data for two recruitment incentives:

- Above the Minimum Pay and
- Leave Credit for Non-Federal Service.

Therefore, we were unable to compare the Library’s use of those incentives with other agencies.

b. Retention Incentives

In its CY 2009 report to OPM, HRS reported that “[r]etention incentives have been used by the Library of Congress frequently over the past several years and have proved to be a successful workforce strategy. Retention incentives have been

used to retain staff with unusually high or unique qualifications, as well as in cases where it has been deemed essential to retain an employee because the employee's departure would adversely impact mission critical functions or special needs of the Library."

Similar to the procedures we used to benchmark the Library's use of recruitment bonuses (note sub-section "a" above), we used OPM data for CYs 2007 and 2008 to benchmark the Library's use of retention incentives against the use of such incentives by the five agencies we used in our recruitment

Table 4. Comparison of the Library's Use of Retention Incentives with Selected Agencies (CY 2007 and CY 2008)						
	2007			2008		
	Number	Average	Percent of Total Staff	Number	Average	Percent of Total Staff
Library of Congress	7	\$15,332	0.18%	10	\$15,631	0.26%
Agency for International Development	33	15,007	1.31%	8	17,139	0.08%
Federal Trade Commission	3	5,887	0.27%	2	7,273	0.18%
National Archives and Records Administration	10	21,124	0.31%	14	20,163	0.44%
Smithsonian Institution	8	25,900	0.18%	4	23,573	0.09%
Government Average		\$5,573			\$6,284	

Source: OPM's CY 2007 and CY 2008 Recruitment, Relocation, and Retention Incentives Report to the Congress

incentives assessment. We also used that data to compare the average retention incentive payments that the Library disbursed in CYs 2007 and 2008 with the average amounts paid for that incentive in those years government-wide.

As presented in Table 4, the data show that the Library's use of retention incentives (expressed as a percentage of total staff) was higher in CY 2008 than the use levels of three of the four other agencies and that the average amount the Library paid that year was comparable to the four other agencies. We noted though, that the average retention incentive payments that the Library made in CYs 2007 and 2008 were substantially higher in each of those years than the corresponding government-wide average.

We expected the Library's use of the retention incentives to be low for three reasons:

- the Library’s staff attrition rate is low compared to the rest of the government;
- 72 percent of our survey respondents informed us that they are unfamiliar with retention incentives; and
- the Library has effectively used a less formal approach to retain employees. Respondents to our survey noted that they have retained the services of high-performing employees by other means, such as letters of acknowledgement, educational/learning opportunities, and a challenging/interesting work environment.

c. Federal Student Loan Repayment Program (FSLR)

At a time when rising educational debt has the potential to drive college and professional school graduates away from public service and into higher-paying private sector work, student loan repayment is viewed as a very important tool which the federal government can use to attract and retain valuable talented staff.

Results of our survey show that 97 percent of respondents had not made use of the FSLR program incentive within the past three years (CYs 2007 through CY 2009).

Similar to the procedures we used to benchmark the Library’s use of recruitment and retention incentives, we used OPM data for CY 2008 to benchmark the Library’s use of the FSLR program against the use of that program by three other

	No.	Amount	Average	Percent of Staff Receiving Loan Repayment
LOC	1	\$10,000	\$10,000	0.03%
GAO	362	2,095,584	5,789	11.49%
GPO	6	60,000	10,000	0.25%
NARA	23	153,977	6,695	0.72%
Government Average			\$7,511	

agencies (identified in Table 5). We also used that data to compare the Library’s average student loan repayments in CY 2008 with government-wide figures.

The data show that the Library used the FSLR program less in CY 2008 than all of the other agencies in our comparison. The Library’s average loan repayment amounts in CY 2008 were comparable in those years to the government-wide average. Further, the Library’s use of the incentive declined from 2007 to 2008, in contrast with other federal agencies, where student loan repayments increased by 22% over the same period. Although the Library’s limited use of this incentive is partly attributable to

budgeting constraints, it is also attributable to a wide-spread lack of awareness – our survey results show that about one-half of respondents are unfamiliar with the student loan repayment program.

HRS told us that it requested funding in FY 2011 to centrally finance and administer the FSLR program for all units within the Library. Doing so will encourage more use of the program as a tool for both recruitment and retention of staff.

CY	CRS	HRS	Total
2005	6	-	6
2006	6	-	6
2007	5	-	5
2008	10	-	10
2009	3	1	4

d. *The PMF and HACU Cooperative Education Programs*

We were unable to compare the Library’s use of PMF and HACU Cooperative Education Programs with the use of those programs by other agencies because this data was not available from OPM. Nevertheless, we found that, for the most part, only CRS and OSI use these recruitment flexibilities as illustrated in Tables 6 and 7.

Semester	OSI	ISS	CRS	Libn	CO	Total
Fall 2008	5	1				6
Spring 2008	6					6
Summer 2009	5		6	1	1	13
Fall 2009	5				1	6
Spring 2010	4				1	5

About 57 percent of respondents informed us that they were unfamiliar with the PMF Program, and nearly 90 percent had not made use of it. HRS recently held a meeting to promote the PMF program, but only two Library managers attended.

Similar to the PMF Program, our survey disclosed that about half of Library managers are not familiar with the HACU Cooperative Education Program and only 15 percent of managers reported using it.

Recommendations

None.

III. Better Controls are Needed For Retention Incentives

The Library's service and support units have the authority to review and approve the payment of recruitment and retention allowances. HRS serves as a control for the allowance payments to ensure that the approving officials complete written justifications and obtain required documentation to support their incentive approval decisions (e.g., a pay slip to support paying an employee above the minimum pay level).

This section provides results of assessments we performed regarding HRS' administration and oversight of the Library's recruitment and retention incentives. It also provides results of an assessment we performed regarding the Library's conformance with the spirit of the Government Performance and Results Act (GPRA) in its management of employment incentives.

a. HRS Control over Recruitment and Retention Incentives

Supporting documentation that we examined regarding the recruitment and retention incentives used by Library managers/supervisors in CY 2009 shows that, for the most part, controls for these incentives were adequate. Our examination results for the controls of four different incentives are summarized in Table 8.

Although we concluded that HRS' controls for recruitment incentives are generally effective, HRS can improve these controls by providing Library service/support units with much needed guidance such as sample or model justifications, and checklists or forms.

As Table 8 suggests, HRS needs to be more active in its oversight of the retention incentive. More specifically, HRS must ensure that requirements of applicable regulations are satisfactorily addressed before retention incentive payments are made or continued. Our review found that a requirement specified in 5 CFR 575.308 was not satisfactorily addressed in five of the six cases and that requirements specified in 5 CFR 575.311(g)(1) were not satisfactorily addressed in three cases. The Library made retention incentive payments for all six cases in CY 2009.

Table 8. Assessment of Controls Over Four Incentives			
Incentive	Number Approved in CY 2009	Control	Our Assessment
Pay set above the minimum for superior qualifications	31	Selection Officials completed an HRS control sheet "Appointment above the Minimum Rate of the Grade, Documentation, and Approval Sheet" including 1) a narrative describing the selectee's superior qualifications relative to the position being filled which justifies setting pay above the minimum and 2) proof that the candidate's existing pay is greater than step 1 of the grade for the position (either a current pay slip and/or W-2 form that supported the candidate's current salary).	Adequate
Leave Credit	7	Selection Officials provided a written request including a justification, support for the prior work, and a calculation of the creditable service. HRS reviewed the support for the prior work and adjusted the calculation when appropriate. The employees signed a written agreement acknowledging their understanding that the service credit will be revoked if they leave the appointed position prior to completion of one year of continuous service.	Adequate
Retention Allowance	6	Service units documented in writing, the basis for determining that 1) the unusually high or unique qualifications of the employee or special need of the Library for the employee's services made it essential to retain the employee(s) and 2) the employee would be likely to leave the Federal service in the absence of a retention incentive. We determined that five of the six justifications required additional support.	Inadequate
Federal Student Loan Repayment	2	HRS required the employee to sign a three-year service agreement.	Adequate

5 CFR 575.308, *Approval Criteria and Written Determination*, calls for the Library to document in writing "...[t]he basis for determining the amount and timing of the incentive payments and the length of the service period." In the five cases we found to be deficient, the bases for establishing the amounts of the retention incentive payments were not provided.

Section 311(f) (1) of 5 CFR 575, *Continuation, reduction, and termination of retention incentives*, states "[f]or retention incentives that are paid when no service agreement is required under § 575.310(f), an agency must review each determination to pay the incentive at least annually to determine whether payment is still warranted. An authorized agency official must certify this determination in writing." In the three cases we found to be deficient, the most recent written justifications were prepared in CY 2007. It is critical that HRS provide effective oversight for retention incentives, particularly to ensure that they are warranted.

b. *Performance Measurement and Cost/Benefit Analysis*

The Library is committed to incorporating the spirit of the GPRA into its planning and budgeting. GPRA holds federal

agencies accountable for using resources wisely and achieving program results. This includes measuring how well programs are doing and making appropriate decisions based on the information gathered.

HRS has not evaluated nor performed a cost/benefit analysis to measure how well the Library's employment incentives are doing in assisting the agency reach its human capital goals. It is notable, however, that OPM has determined that it is very difficult for agencies to conduct such program performance evaluations.

Regarding performance measures, OPM concluded that performance ratings do not appear to be a good means to measure the benefits of recruitment and retention incentives. Similarly, OPM concluded that comparing the length of time that a position, or category of positions, is vacant when a recruitment or relocation incentive is offered to the length of time that a position, or category of positions, is vacant when an incentive is not offered does not appear to be a good way to measure the benefits of the recruitment, relocation, and retention incentives. OPM found that most of the 12 agencies it studied did not collect agency-wide data on position acceptance rates for employees who were offered recruitment incentives.

Regarding the usefulness of cost/benefit analyses for measuring the influence of employment incentives, OPM determined that because too many subjective and judgmental factors are involved, there is not an objective method which demonstrates dollar-for-dollar benefits expressed as a return on investment.

Notwithstanding OPM's conclusions, HRS needs to provide the Library's service/support units with information on the total cost to hire an employee and the cost of employee attrition. A Society for Human Resource Management report stated that, "... direct replacement costs can reach as high as 50%-60% of an employee's annual salary, with total costs associated with turnover ranging from 90% to 200% of annual salary."¹³

¹³ Society for Human Resource Management (SHRM) Foundation's *Effective Practice Guidelines Series, Retaining Talent, A Guide to Analyzing and Managing Employee Turnover*, David G. Allen, Ph.D.

Making selection officials more aware of hiring and attrition costs will allow them to assess whether the use of an employment incentive would be cost effective. Additionally, even though it is a qualitative and not a quantitative measuring device, HRS should refer to its employee survey for anecdotal evidence to determine whether incentives assist the Library's recruiting and retention efforts.

Recommendations

We recommend that HRS:

1. Develop and provide service/support units sample or model justifications and checklists or forms (similar to the "*Above the Minimum*" form) to ensure that all legal and regulatory requirements are met in the administration of recruitment incentives;
2. Confirm that evidence of an outside employment offer(s) has been obtained, or appropriate justification has been documented before a retention incentive is offered to an employee;
3. Identify hard-to-fill positions and focus its incentive efforts to those positions; and
4. Develop a measure of the cost of staff turnover to assist managers considering offering a retention incentive in performing a cost-benefit analysis.

Management Response

HRS concurred with our finding and recommendations.

►► CONCLUSION

Recruiting and retaining a new wave of talented individuals, who view the Library as an employer of choice, is imperative if the Library is to continue meeting the expectations of Congress and the nation. Offering incentives allows the Library to better compete with both the public and private sectors in its efforts to recruit and retain a quality workforce.

Educating managers goes a long way to ensure the Library's various flexibilities/incentives will be effectively used. A general perception exists among Library managers that HRS has not been proactive or consistent in supplying information on employment incentives. To its credit, HRS recently adopted a more aggressive leadership role in that regard by educating and assisting managers in using available flexibilities, and providing effective oversight. However, its education campaign is not achieving desired results. Many Library managers are not fully aware, or lack a clear understanding, of the various incentives and flexibilities. Therefore, it is clear that HRS must improve its communication to ensure that its message is both received and understood. At the same time, however, HRS needs the authority to ensure Library supervisors attend education events and read pertinent literature, such as HRS Directives and LCRs. Moreover, a better understanding of the financial implications of staff turnover is needed in order to effect better management of both recruitment and retention incentives. Finally, HRS must focus its recruitment incentive resources on hard-to-fill jobs, where they are most needed.

To ensure effective human capital management, Library senior management must demonstrate their commitment by providing inspired leadership on human capital flexibilities and holding managers accountable for attending HRS training, studying relevant guidance, and providing information on incentives and flexibilities to their assistants and staff. With continued commitment and strong leadership, the Library can indeed remain an employer of choice.

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▶▶ APPENDIX: MANAGEMENT RESPONSE

Human Resources Services

Director for Human Resources

Memorandum

Library of Congress

TO : Karl Schornagel
Inspector General

FROM : Dennis M. Hanratty 
Director for Human Resources

SUBJECT : Draft Audit Report No. 2010-PA-103

Date: July 8, 2010

Thank you for the opportunity to comment on Draft Audit Report No. 2010-PA-103. We are pleased the report recognizes the significant efforts that Human Resources Services (HRS) has made to ensure that managers are aware of employment incentives and flexibilities. As noted in your report, these actions included:

- Establishing a Human Capital Flexibilities Working Group comprised of service unit representatives. Since 2007, this group has played a leading role in introducing new employment flexibilities, including a revised hiring process for Senior Level appointments.
- Creating a quarterly Supervisors Forum to facilitate dialogue and familiarize supervisors with resources that provide guidance for managing employees.
- Issuing a Supervisors' Handbook that included a section titled "Selected Library of Congress Flexibilities Available for Management Officials to Recruit, Hire, and Retain Staff."
- Preparing a paper titled "Recruitment Flexibilities At a Glance," which provides brief descriptions of the flexibilities and a "Pre-Recruitment Worksheet" to provide a tool for the Staffing Specialist and the Selecting Official to consider all available recruitment and hiring flexibilities when filling vacancies.

We agree that even more communication is needed to ensure that managers fully understand employment options, and we are committed to doing so.

Our detailed comments, relative to the findings of Draft Audit Report No. 2010-PA-103, are as follows:

I. Library Officials are not Fully Aware of Available Hiring Incentives Despite HRS' Efforts

Recommendation

We recommend that the Library require all managers to:

- a. Attend, at least once a year, the HRS quarterly forums for supervisors; and*
- b. Complete on-line refresher training annually on material in the Supervisors' Handbook, similar to the training required annually on Information Technology Security Awareness.*

HRS Response

This recommendation concerns action to be taken by Library management. Therefore, it is more appropriate for management to comment.

Recommendation

We recommend that HRS assign a point-person to be responsible for ensuring that members of the Flexibilities Working Group pass the group's information to their respective managers.

HRS Response

We concur. We recognize the need for accountability in information sharing and have created a specific strategy and accompanying performance metric in the forthcoming Human Capital Management Plan 2011- 2016.

II. Library Use of Incentives Slightly Lower than Other Agencies

Recommendation

None.

HRS Response

None.

III. Better Controls are Needed for Retention Incentives

Recommendations

We recommend that HRS:

1. *Develop and provide service/support units sample or model justifications and checklists or forms (similar to the "Above the Minimum" form) to ensure that all legal and regulatory requirements are met in the administration of recruitment incentives;*
2. *Confirm that evidence of an outside employment offer(s) has been obtained, or appropriate justification has been documented before a retention incentive is offered to an employee;*
3. *Identify hard-to-fill positions and focus its incentive efforts to those positions; and*
4. *Develop a measure of the cost of staff turnover to assist managers considering offering a retention incentive in performing a cost-benefit analysis.*

HRS Response

We concur.

cc: Lucy Suddreth