

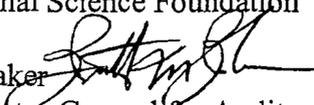


National Science Foundation • 4201 Wilson Boulevard • Arlington, Virginia 22230
Office of the Inspector General

MEMORANDUM

DATE: March 17, 2011

TO: Dr. Subra Suresh
Director, National Science Foundation

FROM: Dr. Brett M. Baker 
Assistant Inspector General for Audit

SUBJECT: *Audit of NSF's Actions to Improve Workforce Management and the Work Environment for Employees, Report No. 11-02-006*

Attached please find the final report of our audit of NSF's workforce management. We have included NSF's response as an appendix to the final report.

OMB Circular A-50 requires NSF to prepare a time-phased corrective action plan to address the report recommendations. Please furnish our office with a copy of this corrective action plan no later than May 16, 2010.

We appreciate the courtesies and assistance provided by so many NSF staff during the audit. If you have any questions, please contact Karen Scott, Director Audit Services, at (703) 292-7966.

Attachment

cc: Allison Lerner
Cora B. Marrett
Clifford Gabriel
Amy Northcutt
Judith Sunley
Karen Scott
Marie Maguire
Susan Carnohan
Kelly Stefanko
Fara Damelin

Audit of NSF's Actions to Improve Workforce Management and the Work Environment for Employees

National Science Foundation
Office of Inspector General

March 17, 2011
OIG 11-2-006



Table of Contents

| | |
|---|----|
| Introduction | 1 |
| Results of Audit | 1 |
| NSF Has Not Effectively Addressed Recommendations for Workforce Management Change | 2 |
| NSF Lacks an Effective Process to Implement Workforce Management Change | 6 |
| Elements of an Effective Decision-Making Process | 7 |
| Impact of NSF's Insufficient Action to Implement Needed Workforce Change | 8 |
| Conclusion and Recommendation | 9 |
| Summary of Agency Response and OIG Comments | 10 |
| Appendices | |
| Appendix A: Agency's Response | 11 |
| Appendix B: Objective, Scope, and Methodology | 15 |

Introduction

Mission of the National Science Foundation

The National Science Foundation is an independent Federal agency whose mission is “to promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and for other purposes.” To support this mission, NSF funds approximately 20 percent of all Federally-supported basic research conducted at the nation’s colleges and universities, primarily through grants and cooperative agreements. To accomplish this mission, NSF seeks to maintain a world-class staff of scientists, engineers, and educators who bring current knowledge, insight, and cutting-edge perspectives to the scientific and engineering research and education funded by NSF. In support of its mission, NSF identified performing as a model agency as a strategic goal in its new fiscal year (FY) 2011-2016 draft strategic plan and has stated that it is working to make itself a model agency in human capital management.

Congressional Charge

The Senate Committee on Appropriations report language for the Departments of Commerce and Justice, and Science, and Related Agencies Appropriations Bill for FY 2011, stated that, “the OIG shall deliver to the Committee a report analyzing NSF actions to improve workforce management and the work environment for employees, including an evaluation of any performance management framework for individuals serving under the Intergovernmental Personnel Act,” (IPAs). In addition, the report also stated that “managers need to ensure that the workplace meets the highest standards as well and is free from harassment and misconduct.” This Committee has also expressed concern about the impact of IPAs on NSF’s workplace environment, specifically whether IPAs have the tools to be managers.

Results of Audit

Congress, OPM, the OIG, and NSF management and staff have all expressed concerns about workforce management and the work environment at NSF in recent years. NSF’s response to these concerns generally has been to assemble working groups of NSF staff to assess the issues and recommend needed corrective action. These groups have given thoughtful and thorough attention to the issues they were charged with considering, and their analysis has resulted in many recommendations for change.

However, NSF does not have an effective process for implementing the workforce management changes called for in these recommendations. The agency’s process for addressing workforce management change is informal, undocumented, and ad-hoc. Specifically, NSF senior management has not accepted or rejected; prioritized; tracked; managed; or implemented the bulk of the recommendations made in this area. NSF’s workforce management change process also suffers because it lacks a champion with both the time and authority to lead in this area. As a result, although NSF has devoted considerable study and discussion to identifying needed improvements, at the time of

our audit, it had completed action on only 11 of 102 recommendations. It is important to note that in some cases, more than one source made the same or similar recommendation and that some overlap ones made years prior to the efforts we examined.

NSF's failure to make decisions to improve workforce management has led to continued attention from Congress and may have contributed to a decline in employee satisfaction. We recognize that it is not reasonable to expect NSF to implement 102 recommendations simultaneously, and we are not saying that it should have done so. However, it is reasonable to expect NSF management to set priorities and milestones and implement an action plan in a structured approach to address workforce issues. In order to ensure needed workforce management change, NSF must develop an effective, structured, and documented process to ensure that timely decisions are made and that timely action is taken to implement those decisions.

NSF Has Not Effectively Addressed Recommendations for Workforce Management Change

During the period from September 2009 through August 2010, internal and external efforts to identify opportunities for improvements in NSF's workforce management and work environment culminated in NSF management having 102 recommendations relevant to our audit objectives to consider. These recommendations came from the draft Employee Action Agenda, three NSF working groups, OPM's review of the agency's human capital management system and the OIG's March 2010 audit of NSF's rotating director model. Based on our assessment, we found that NSF senior managers had not accepted or rejected; prioritized; tracked; managed or implemented the bulk of the recommendations made during the period we assessed. As a result, although NSF and other stakeholders had devoted considerable time and effort to identifying needed improvements, as shown in the table below, NSF had completed action on only 11 of the 102 recommendations as of December 1, 2010.

Workforce Management Recommendations for Change that NSF has Implemented

| <i>Source of recommendations (Date issued)</i> | <i>Number of recommendations</i> | <i>Number of recommendations related to executive- level IPAs¹</i> | <i>Recommendations implemented – (as of 12/1/10)</i> |
|--|--------------------------------------|---|--|
| Draft Employee Action Agenda (Sept 2009) | 31 | 8 | 1 |
| Employee Satisfaction and Wellness Working Group report (Sept 2009) | 6 | 1 | 0 |
| Human Resources Policies Working Group report (Aug 2010) | 30 | 9 | 0 |
| OIG Rotators report (Mar 2010) | 2 | 2 | 0 |
| Hiring Reform Action Plan (2010) | 24 | 0 | 9 |
| OPM report (IPA-related only) (Aug 2010) | 9 | 9 | 1 |
| Total | 102 | 29 | 11 |

Our assessment of recommendations made by these groups is described below.

Draft Employee Action Agenda

The draft Employee Action Agenda was developed in 2009 by the former Director of the Office of Information and Resource Management (OIRM), in response to a request from the NSF Director for “something actionable” to demonstrate that the agency was taking Congressional concerns about workforce management issues seriously. It contained 31 recommendations, [REDACTED]

[REDACTED] In September 2009, the Acting Deputy Director provided the draft agenda to executive-level officials within NSF, the OIG, the National Science Board Office, and the President, Local 3403, American Federation of Government Employees, AFL/CIO for comment. NSF has completed action on one recommendation related to implementing an electronic Official Personnel Folder system (which OPM has mandated for all executive branch agencies), but, as of December 1, 2010, the agency had not formally adopted the Agenda.

Employee Satisfaction and Wellness Working Group Report

The Acting Deputy Director established the Employee Satisfaction and Wellness working group to respond to OPM’s requirement for an agency action plan for improving employee satisfaction and wellness in areas where the agency had received low scores in OPM’s government-wide employee satisfaction survey. The working group issued a report to the Acting Deputy Director in September 2009, which contained six recommendations. NSF used this report as the basis for the action plan it submitted to

¹ Of the 102 recommendations, we further stratified them by judgmentally identifying recommendations that we believe directly relate to IPA assignees in executive-level positions and tools for IPAs to manage in the Federal government.

both OPM and OMB (in September 2009). NSF provided the working group with a copy of the action plan that NSF had submitted, but otherwise, the group did not receive formal feedback from the Office of the Director that any recommendations have been “agreed upon.” However, the working group felt that the use of its recommendations in NSF’s formal action plan to OPM and OMB was a very strong indication from management that nearly all of its recommendations had, in fact, been agreed upon.

Subsequently, the Acting Deputy Director requested that the working group reconvene to develop an implementation plan, but this group became aware that other NSF working groups were discussing the same or very similar issues. Further, because the working group’s co-chairs are Deputy Assistant Directors and Executive Officers (DADEOs), they participate in DADEO meetings. One of the co-chairs noted that this DADEO group served as the focal point for coordinating the recommendations, and through DADEO meetings, learned that the Acting Deputy Director had charged the Interim Division Director of Human Resource Management (HRM) with developing a comprehensive implementation plan that included addressing the Employee Satisfaction and Wellness working group’s recommendations. Therefore, to avoid what appeared to be duplicate efforts, the working group did not complete an implementation plan. As of December 1, 2010, NSF had not completed action on any of the group’s six recommendations.

Human Resources Policies Working Group Report

The Acting Deputy Director set up the Human Resources Policies working group based on concerns raised by the Employee Satisfaction and Wellness group, the OIG, and Congress. This group met over a period of eight months and issued a report in August 2010 that contained 30 recommendations. Nine of these recommendations related to NSF’s reliance on IPAs in executive-leadership positions.

The Acting Deputy Director met with the Human Resources Policies working group on October 4, 2010, and suggested that the group discuss its report and other reports that include recommendations related to human resources policies and management practices with the Interim Division Director of HRM. This meeting took place on October 21, 2010, and subsequently, on November 17, 2010, this group suggested six priority actions which NSF could start implementing immediately with the potential to have a significant positive impact. For example, the group recommended that NSF require new executives to participate in a program to orient them to NSF. The Interim Division Director of HRM responded to the working group that she could not or should not implement these actions unilaterally, but that she needed to have agency “buy in” before taking action. Thus, as of December 1, 2010, NSF has not communicated the working group’s recommendations to NSF staff, nor has it implemented or prioritized any of these 30 recommendations, which includes the working group’s 6 priority actions. One working group member mentioned that NSF’s search for the balance between thoughtful reflection and timely change was frustrating.

OIG Audit Report on the NSF Rotating Director Model

The OIG's March 2010 audit, which was conducted in response to a request from the Senate Appropriations Committee, made two recommendations, both of which pertain to IPAs. To address the OIG's first recommendation pertaining to performance management for IPAs, NSF issued a November 2010 memo requiring that executive-level IPAs have performance plans in place by the end of 2010. Performance plans provide the basis for holding staff accountable for work assignments and responsibilities, and document the standards for evaluating performance. NSF also plans to include program-director level IPAs in its performance management system by June 2011. Including IPAs in NSF's performance management system will also address similar recommendations made in the draft Employee Action Agenda, the Human Resources Policies working group report, and the OPM Human Capital Management Evaluation Report.

In response to the audit's second recommendation pertaining to integrating executive-level IPAs into the Federal government, NSF stated that it was continuing to develop its New Executive Transition Program, which will include a 2-3 day orientation and management development seminar for all new executives. The orientation program was originally expected to start in October 2010, but is now scheduled for implementation in March 2011. In 2009/2010, NSF offered eight courses in a management curriculum and plans to offer five additional courses in 2011. Although making these courses available to its executives is a step in the right direction, NSF does not presently *require* the executives to take this management training. As such, NSF has no assurance that its new executive-level IPAs are receiving the training needed to integrate them into the Federal government.

Hiring Reform Action Plan

NSF established a Hiring Reform SWAT team in response to a June 18, 2009, OPM memo that prepared Federal agencies to overhaul the way they recruit and hire employees to make it less complex for applicants to apply for Federal jobs. The group produced a FY 2010-2011 action plan that includes 24 recommendations. NSF approved the action plan and has posted it on the NSF website. NSF stated that action on most items was underway as of December 1, 2010, and provided documentation that it had implemented 9 of the 24 recommendations.

OPM Human Capital Management Evaluation Report

OPM conducted an evaluation of NSF's human capital management system and issued a report to the agency on August 3, 2010. The report contained 37 required actions and 33 recommended actions to strengthen the overall effectiveness of NSF's human capital management.² In its October 4, 2010, response, NSF stated that it accepted the

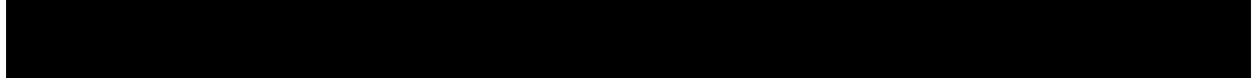
² We reviewed nine recommendations from the report that we identified as being directly related to NSF's use of IPAs in executive-level positions, including recommendations that NSF study the effectiveness of its current organizational structure and the impact of this structure on the agency's mission and that NSF establish a comprehensive management succession program to train and develop managers.

report's recommendations and that it would take action to address them. However, NSF informed us that it considers its response to OPM to be "preliminary" and that NSF is waiting for feedback from OPM before moving forward to act on recommendations. NSF also stated that it is considering some of the OPM recommendations for inclusion in the comprehensive implementation plan being developed by the Interim Division Director of HRM. As of December 1, 2010, NSF stated that it had completed action on one recommendation by providing a range of training and development activities in support of mission accomplishment.

NSF Lacks an Effective Process to Implement Workforce Management Change

During the period we reviewed, NSF attempted to manage workforce change by tasking staff-led working groups with assessing specific issues and making recommendations for improvements. Such a process can only drive real change if a mechanism exists to evaluate the resulting recommendations and identify those that should be implemented. Based on our assessment, we found that NSF had no overarching process for responding to these workforce-related recommendations. Specifically, the Foundation has no formal, documented process for: 1) examining the various recommendations to identify and prioritize actions that would solve the most pressing problems; 2) developing an implementation plan (with milestones and timelines) for priority actions; and 3) tasking a specific manager or managers with responsibility for seeing the priority actions through to completion. As a result, NSF's approach to addressing workforce issues has not yielded significant results.

NSF's workforce management change process also suffers because it lacks a champion with both the time and authority to lead in this area. NSF's current process for managing workforce change is led by its Acting Deputy Director, who has stated to both NSF staff and to OIG auditors that she is in charge of setting priorities and making decisions on recommendations for workforce improvements. In an October 2010 memo to OPM, the Acting Deputy Director stated, "[a]s the NSF Acting Director and Chief Operating Officer, I am committed to holding managers and human resource officers accountable for meeting their human capital management responsibilities." Given the considerable responsibilities of the Deputy Director position, it may not be feasible for the Acting Deputy Director to devote the time and attention necessary to ensure that progress is made in addressing workforce management issues. Focusing on human capital management issues should be the primary responsibility of the Chief Human Capital Officer (CHCO), and it would thus seem logical for that person to play a leading role in this area. Based on our audit work, however, it appears that neither the previous nor the current CHCO is sufficiently empowered to implement workforce management change.

 NSF was "behind schedule" in addressing workforce issues identified by Congress because of the approach it was using of setting up working groups to develop

recommendations which then must be prioritized. [REDACTED] most of the significant actions recommended could not be undertaken without approval from the Office of the Director. [REDACTED] at the request of the former NSF Director, he developed a framework of workforce management related actions, but that NSF leadership would not commit to moving forward with it as a means of addressing its workforce related issues. He stated that NSF needed to “pick a direction to move in” and take action.

With the departure of the former OIRM Director, NSF moved the CHCO responsibilities down to the Division Director of HRM, one of the OIRM Director’s subordinates. That position has been filled on an interim basis since October 2010. Since her appointment, the Interim Division Director has been developing a plan of action for NSF to address its workforce related issues. She has been organizing recommendations into a framework and has identified several areas (such as leadership and knowledge management) as key areas for consideration. She has also identified several NSF-wide activities that she characterized as “Making a Beginning” in FY 2011. However, the framework lacks critical elements such as milestones, completion dates, and individuals responsible for leading the identified activities. In addition, the Interim Division Director told auditors that she must wait on approval from the Assistant Directors (ADs) and Deputy Assistant Directors/Executive Officers (DADEOs) before moving forward on workforce management recommendations.

While it is important to work with stakeholders such as ADs and DADEOs in developing a plan for workforce management change, the person leading that change should have the authority to move the process along even if the actions being contemplated are not universally embraced. Absent such authority, it is far too easy for the “paralysis of analysis” to set in and inhibit much-needed progress. If NSF wishes to see change occur, then it must ensure that the person responsible for leading that change, whether it is the NSF Deputy Director or the CHCO, has sufficient time to devote to the process and sufficient authority to see it through.

Elements of an Effective Decision-Making Process

In our view, an effective process would entail that senior management: 1) identify whether it accepts or rejects each recommendation in a timely manner; 2) prioritize action on accepted recommendations and track such action; 3) authorize specific individuals to implement accepted actions; and 4) hold individuals responsible and accountable for implementing accepted recommendations.

Basic principles of project management illustrate the benefits of a structured approach to bring about change. Project management emphasizes seeing a task through to completion by successfully taking it from start to finish. Key areas of effective project management include developing and communicating a plan, determining roles and responsibilities, creating a realistic schedule, preparing for change, monitoring and reporting on status, and closing out the project. These principles are very similar to the process NSF used to reform its audit resolution process.

NSF management utilized a structured process to implement change in reforming the audit resolution process in response to recommendations in an OIG audit. This process consisted of clear top level support and documented objectives directly from the NSF Acting Deputy Director and the Inspector General. The written charge established milestones and outcomes, and included specific duties and responsible individuals who were authorized to make decisions and meet deadlines. We highlight this example because, while it involved a more focused issue, the structured process used by NSF for reforming audit resolution incorporated the elements of an effective process and resulted in significant change. The result was clear – change occurred in the form of a new policy and revisions in operational practices, which continue to be monitored by NSF management and the OIG.

Impact of NSF’s Insufficient Action to Implement Needed Workforce Change

Because NSF has not made needed improvements in workforce management, it has been subject to increased attention from Congress, OPM, and the OIG. The lack of significant change may have also contributed to a decline in employee satisfaction at NSF.

NSF’s success is ultimately dependent upon the success of the people who work for the agency. When employees have a high level of job satisfaction, they are more likely to be engaged in their work. Thus, employee satisfaction is directly linked to achieving the agency’s mission and performance results. In addition, employee satisfaction is a necessary ingredient in attracting top talent; NSF’s human capital vision is to, “attract, develop, and retain a diverse, world-class workforce that is continually learning and expanding its capacity to shape the agency’s future.”

Employee concerns about workforce management and the work environment are reflected in recent surveys reporting a decline of employee satisfaction at NSF. NSF dropped from being ranked fifth among small agencies in 2009 to being ranked thirteenth among the small agencies in 2010, based on data from the Employee Viewpoint Survey conducted by the Partnership for Public Service in the *Best Places to Work* rankings. NSF’s positive response rate in the 2010 employee survey dropped slightly in almost all questions and significantly in some. Specifically, positive response rates on promoting diversity and working well with diverse teams dropped from over 70 percent to just over 60 percent. Additionally, the positive response rate on perceptions that awards in work units depend on how well employees perform their job duties dropped from 60 percent to 49 percent.

It is important to note that this decline occurred *after* NSF had established an employee satisfaction and wellness working group specifically to improve on low scoring items in the 2008 survey. As noted on page 4, that group made six recommendations to NSF management, none of which has been completed. Not only NSF did fail to reach its improvement targets on the 2010 survey, its scores in the areas targeted for improvement dropped.

Failure to timely respond to or implement recommendations developed by working groups also undermines the utility of such groups, as participants become aware that management is not acting on their recommendations or even communicating back decisions made with respect to their recommendations. As previously noted, some of the NSF working groups whose efforts we reviewed are grappling with issues that had already been addressed by previous efforts.

For example, 29 recommendations made by the various efforts we examined were directed at IPAs, who fill 27 percent³ of NSF's executive-level science positions and who may not have Federal government experience. Some of these recommendations, such as those to increase management training and development opportunities for executive-level IPAs, were made by more than one of the groups and overlap recommendations made years prior to the efforts we examined. For example, a 2004 report of the National Academy of Public Administration, conducted in response to a Congressional request, recommended that the NSF Director establish and support an ongoing management and executive-level knowledge sharing program. Further, a 2007 internal NSF report by NSF's Executive Resources Board recommended that the agency complete the development of a comprehensive, executive-orientation program and deliver essential management training to all executives.

As NSF's employee satisfaction has declined, and its internal and external scrutiny has increased, the impact of NSF's lack of decision making on recommendations for improving its work environment is becoming more serious. An effective process and structure combined with strong leadership on the part of the champion for this change would help NSF identify and implement those actions that should result in the most effective improvements in its workforce management and work environment for employees.

Conclusion and Recommendation

NSF is not implementing needed workforce change because: (1) it does not have an effective process for responding to recommendations made by the groups it has tasked with identifying workforce improvements, and (2) the individuals who should be leading this change do not have the time to focus on this issue or the authority to act.

To ensure that needed decisions are made, NSF must institute an effective process and structure to address workforce issues, similar to the process it used in bringing about needed change in the audit resolution process at NSF.

Therefore, we recommend that the NSF Director:

Develop and document policies and procedures and utilize a structured approach to

³ In fall 2009, IPAs filled 20 of 75 of NSF's executive-level science workforce positions as reported in NSF OIG report 10-2-009.

manage and implement workforce and workplace change. This approach should ensure that senior officials manage change by:

- providing clear objectives and expectations,
- establishing priorities, milestones, and timelines
- authorizing individuals to act and holding those individuals accountable for that responsibility,
- ensuring milestones and timelines are met,
- communicating information and status to staff, and
- periodically following-up and monitoring to ensure that the process is working effectively.

Summary of Agency Response and OIG Comments

NSF generally agreed with our recommendation and in its response, outlined steps it has begun to take to address the issues surrounding its management of human capital.

In its response, NSF stated that while it is experimenting with how best to implement the role of the CHCO, the CHCO will work with the Deputy Assistant Directors and Executive Officers (DADEO) group to make human capital management decisions. We are concerned that involving so many people in the decision making process will impede, rather than enhance, the speed of change. NSF stated that, by August 1, 2011, it would make a decision on the effectiveness of using the DADEO group in human capital management planning and decision making. To have a clear, objective basis by which to judge the DADEO effort in August, NSF should articulate how it will gauge the success or failure of this endeavor *now*, so that all involved will know what is expected of them during this trial period.

We have included NSF's response to this report in its entirety as Appendix A.

Appendix A: Agency's Response

NATIONAL SCIENCE FOUNDATION
4201 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22230



March 4, 2011

MAR 4 2011

MEMORANDUM

TO: Dr. Allison Lerner
Inspector General

FROM: Dr. Subra Suresh *Subra Suresh*
Director

SUBJECT: Response to Official Draft of OIG's Audit of NSF's Actions to Improve Workforce Management and the Work Environment for Employees

Attached please find the Foundation's response to the recommendations contained in the Official Draft of OIG's Audit of NSF's Actions to Improve Workforce Management and the Work Environment for Employees. Please let me know if you have any questions.

Attachment

cc: Brett Baker
Dedric Carter
Clifford Gabriel
Cora Marrett
Amy Northcutt
Judith Sunley

Audit of NSF's Actions to Improve Workforce Management and the Work Environment for Employees

Thank you for the opportunity to respond to your Official Draft report *Audit of NSF's Actions to Improve Workforce Management and the Work Environment for Employees*. The findings make clear that NSF needs to modify its approach to managing change in the human capital arena by (1) investing the leadership for human capital management with the responsibility and authority to act; (2) creating an effective process for responding to recommendations for action; and (3) developing and documenting policies and procedures demonstrating a structured approach to managing and implementing workforce and workplace change. This response outlines actions we have taken to address these issues.

Leadership for Human Capital Management

There are two key issues around leadership for human capital management: (1) leadership for agency-wide planning, decision making, and accountability; and (2) leadership for implementation within the directorates and major offices comprising the agency.

Agency-wide leadership responsibilities lie with the Chief Operating Officer (COO), to whom the Chief Human Capital Officer (CHCO) reports, consistent with the GPRA Modernization Act of 2010. In October 2010, we initiated an experiment to explore how best to implement the role of the CHCO, including exploring the most effective balance between focused time for CHCO responsibilities and other human capital management responsibilities. An Interim CHCO, reporting to the COO was appointed. The Interim CHCO is also serving as the Interim Division Director for Human Resource Management (DD/HRM), reporting through the Office of Information and Resource Management (OIRM).

- The COO and the Director will finalize the decision on the structure of the relationship between the CHCO and the DD/HRM in August 2011, so that any needed recruitments can be completed in early FY 2012.

Based on our past experience and as recommended by OPM, leadership for decision making and implementation must include NSF's senior management.

- Effective immediately, we will devote one meeting per month of the Senior Management Roundtable to topics of human capital management and their linkage to agency programmatic and operational planning.

The CHCO will be asked to participate in the Senior Management Roundtable for the human capital management topics and will provide input and guidance on the agenda for that meeting. The CHCO is also a member of the Deputy Assistant Director (DAD) and Executive Officer (EO) group, which currently oversees implementation efforts in the directorates and offices. The COO, with the assistance of the CHCO, will ensure that all Assistant Directors, Office Heads, DADs and EOs have elements in their performance plans that address leading change in the human capital management arena.

Process for Human Capital Management Decisions

The ultimate responsibility for strategic decision making at NSF rests with the Director and Deputy Director with the participation of the senior management and guidance and leadership from relevant NSF staff. While we continue our exploration of the CHCO role, implementation of human capital

Audit of NSF's Actions to Improve Workforce Management and the Work Environment for Employees

management recommendations will be facilitated through the leadership of the CHCO, working with the DAD and EO group.

- The Interim CHCO will work with the DAD and EO group and HRM senior staff to develop a Human Capital Strategic Plan consistent with our new NSF Strategic Plan and meeting the requirements of OPM's Human Capital Assessment and Accountability Framework (HCAAF). We expect completion of this draft for review and approval of the Director and Deputy Director by July 1, 2011.
- In addition, the Director is charging the DAD and EO group to work with the Interim CHCO and HRM senior staff as the principal forum for systematically addressing human capital management issues, including the existing set of recommendations, with appropriate sets of timelines, milestones, and roles and responsibilities for implementation and accountability. The group is charged with providing plans for coherent sets of human capital management activities for review of the Senior Management Roundtable for implementation as soon as possible before July 1, 2011.
- Finally the Director is charging the DAD and EO group to work with the Interim CHCO and HRM senior staff in developing NSF-wide human capital management programs fulfilling these plans and in implementing them effectively in the directorates and offices. Detailed timelines and responsibilities consistent with the plans will be in place by July 1, 2011.
- By August 1, 2011, NSF will make a determination on the effectiveness of using the DAD and EO group in human capital management planning and decision making, either formalizing the role of the group in its organizational structure or providing an alternative approach.

Input to and implementation of human capital management decisions may require participation of, and/or negotiation with, the union. This will be a consideration in the establishment of timelines and roles and responsibilities.

Developing a Structured Approach

NSF has made progress in developing implementation plans for human capital decisions that contain elements of the structured approach articulated in the OIG recommendation. The clearest example to date is the Hiring Reform Action Plan, which describes key deliverables or outputs, start and end dates, responsible parties, and resources needed. Another example is the Corrective Action Plan developed in response to the OIG *Audit of NSF's Workforce Management: Rotating Director Model*. NSF is currently on track to complete all actions related to performance plans for IPAs by the planned completion dates and will meet modified completion dates to integrate new executives, particularly IPAs, into the agency, with all actions completed by June 2011. NSF has taken another step in the direction of utilizing a structured approach in its development of the FY 2011 Performance Plan, which assigns responsibility for actions to specific individuals. Future activities will build on these examples.

NSF is committed to developing the broader planning, implementation, and evaluation framework that will allow the agency to align with OPM's Human Capital Assessment and Accountability Framework. The implementation plans within this framework will include determination on acceptance or modification of recommendations considered in this audit report, concrete steps to implement the highest priority activities, and timelines for initiation of lower priorities. Implementation plans and timelines will incorporate our best knowledge of fiscal and human resources available to NSF for these purposes for the remainder of Fiscal Year 2011 and the next 2 to 3 years with options for expanding or contracting activities dependent on actual availability of resources.

Audit of NSF's Actions to Improve Workforce Management and the Work Environment for Employees

Communication and documentation of the developing framework and implementation plans will be critical elements of this structured approach.

- The Interim CHCO and Director of the Office of Legislative and Public Affairs will develop an internal communications plan, including monthly updates by the CHCO to the Office of the Director and periodic communications to the staff on human capital topics. This plan will be completed by May 1, 2011.
- The Interim CHCO will begin the process of updating the Personnel Manual for the NSF with clearly articulated policies and procedures and preliminary timelines for specific pieces of the work by July 1, 2011.

With these actions in place, we look forward to greatly improving our workforce management and work environment at NSF. However, it will be important to assess our progress on a continuing basis.

- The Foundation will conduct a preliminary assessment of the effectiveness of human capital management under the current operational structure in August 2011, based on experience with the deliverables due before then. This assessment will include the role of the CHCO, the relationship between the CHCO and the COO, and the organizational placement of the CHCO (e.g., OIRM, OIRM/HRM, or Office of the Director). Should they be necessary, the agency will make modifications to the structure at the beginning of FY 2012.
- NSF will continue with periodic assessments and needed adjustments to the operational structure, building them into the OPM HCAAF accountability structure.

Appendix B: Objective, Scope, and Methodology

The objective of our audit was to determine what actions NSF has undertaken to improve workforce management and the work environment for employees, and to assess the effectiveness of NSF's process for developing and implementing workforce and workplace improvements.

We determined that the audit scope consisted of 102 recommendations. This includes:

- 31 action items in NSF's draft Employee Action Agenda (September 2009),
- 6 recommendations in NSF's Employee Satisfaction and Wellness working group report (September 2009),
- 30 recommendations in NSF's Human Resources Policies working group report (August 2010),
- 2 recommendations from the Office of Inspector General's (OIG) audit report of NSF's rotating director model (March 2010),
- 24 items in NSF's Hiring Reform Action Plan (2010), and
- 9 recommendations related to IPAs in executive positions in the Office of Personnel Management's (OPM) Human Capital Management Evaluation of NSF (August 2010).

We conducted the performance audit from October 2010 to January 2011, at NSF in Arlington, VA. To meet our objective, we completed the following tasks:

- Reviewed NSF and other reports related to workforce management and employees' work environment,
- Reviewed related laws, regulations, and guidance,
- Reviewed and analyzed prior audit reports and studies related to these issues,
- Interviewed high-level, key players in NSF workforce management including the Acting Deputy Director, human resource officials, and working group leaders,
- Determined and documented the status of each recommendation that we included in our audit scope, and
- Defined and described an effective process for developing and implementing change.

Compliance with Laws and Regulations and Assessment of Applicable Internal Controls

We reviewed NSF's compliance with applicable provisions of pertinent laws and guidance including:

- A December 2009 Executive Order requiring that agencies establish a labor management forum to improve delivery of government services,
- A May 2010 Presidential Memorandum and related OPM guidance for improving the Federal recruitment and hiring process that required NSF to establish a hiring reform SWAT team and to develop and implement an action plan for eliminating barriers to mandated hiring reform initiatives, and

- OPM's 2009 requirements for agencies to develop action plans on employee satisfaction and wellness initiatives to be included in the agencies' FY 2011 budget submissions to OMB.

We did not identify any instances of noncompliance with the portion of these laws and guidance pertinent to our audit objectives.

We also obtained an understanding of the management controls over NSF's process to make improvements in its workforce management and employee work environment by interviewing NSF officials and staff. We identified internal control deficiencies, which we discuss in this report; however, we did not identify any instances of fraud, illegal acts, violations, or abuse.

During the course of this audit, the auditors did not receive, and therefore did not rely on, information and data from NSF in electronic format or that had been entered into a computer system, or that resulted from computer processing. Therefore, we did not test the reliability of NSF's computer-processed data.

We conducted this performance audit 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 objective.