



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

EPA Prepared to Implement Strategic Human Capital Management Activities But Challenges Remain

Report No. 2004-P-00024

September 20, 2004

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Abbreviations

EPA	Environmental Protection Agency
HCAAF	Human Capital Assessment and Accountability Framework
NSWPS	National Strategic Workforce Planning System
OARM	Office of Administration and Resources Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PMA	President's Management Agenda
SES	Senior Executive Service



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

September 20, 2004

MEMORANDUM

SUBJECT: Audit Report:
EPA Prepared to Implement Strategic Human Capital Management Activities
But Challenges Remain
Report No. 2004-P-00024

FROM: Melissa Heist /S/
Assistant Inspector General for Audit

TO: David J. O'Connor
Acting Assistant Administrator
Office of Administration and Resources Management
and Acting Chief Human Capital Officer

Charles E. Johnson
Chief Financial Officer

This is our final report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and the findings contained in this report do not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 90 calendar days of the date of this report. You should include a corrective actions plan for agreed upon actions, including milestone dates. We have no objections to the further release of this report to the public. For your convenience, this report will be available at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact Patricia Hill, Director for Business Systems Audits, at (202) 566-0894, or Alan Bogus, Project Manager, at (202) 566-2538.

Executive Summary

Purpose

We initiated this review to determine the Environmental Protection Agency's (EPA's) preparedness for implementing a system that ensures employees possess the appropriate skills over time and are held accountable for performance and results. Specifically, we addressed the question:

Are Agency headquarters and regional offices prepared to implement strategic human capital management activities that will allow them to meet the Agency's goals and mission?

Results in Brief

EPA's headquarters and regional offices are prepared to implement strategic human capital management activities, but an alignment of office-level activities to the Agency's *Strategy for Human Capital* is lacking. Based on a January 2004 Agency-wide survey to assess Agency preparedness, we also found that senior executives are familiar with and are committed to the Agency's human capital initiatives. However, we noted widespread variation among offices in implementing strategic human capital management activities, demonstrating the lack of alignment. EPA offices are not engaged fully in activities related to:

- /' Human capital strategic plan development and implementation.
- /' Workforce planning, analysis, and deployment.
- /' Communicating human capital activities.
- /' Use of human capital performance measures.
- /' Establishment of human capital accountability systems.

EPA continues to be challenged to implement strategic human capital management activities Agency-wide. Senior executives vary in their recognition of the importance of human capital management. Also, human capital management activities have not been fully integrated into the Agency's core management processes. Due to this office variation, Agency-wide progress on strategic human capital management activities cannot be measured. Ultimately, if EPA does not fulfill its human capital vision of having "people with the right skills, in the right place, at the right time to protect human health and the environment," its ability to achieve its environmental mission may be impeded.

Recommendations

We recommend that EPA more thoroughly integrate human capital management activities and measures into its core business processes to strengthen accountability and to ensure alignment and achievement of strategic human capital and environmental goals. In particular, we recommend that EPA evaluate justifications and analyses of strategic human capital needs as part of the budget decision process, revise performance guidance for senior executives to strengthen accountability for accomplishments, report on the Agency's progress in the Annual Report, and develop a "scorecard" to measure office progress and alignment with EPA's *Strategy for Human Capital*. We also made several other recommendations to ensure EPA's offices are fully engaged in implementing strategic human capital management activities.

Agency Comments and OIG Evaluation

In a June 29, 2004 memorandum, EPA's Acting Chief Human Capital Officer responded to the draft report, incorporating relevant comments from the Agency's Chief Financial Officer as well as those from headquarters and regional offices. The Agency concurred with our findings and noted its intent to take action on many of the report's eight recommendations. In particular, Agency officials recognized the need to establish and ensure accountability at all levels throughout the Agency and to effectively communicate human capital plans and integrate strategies across the Agency. While the Agency's response noted several positive planned and ongoing activities, in some cases management did not outline and commit to actions that would fully address our recommendations. We will continue to meet with responsible officials during the coming months to ensure the Agency's final action plan more fully responds to the results of our review.

Table of Contents

Executive Summary	i
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Chapters

1	Introduction	1
	Purpose	1
	Background	1
	Scope and Methodology	3
2	Offices' Human Capital Activities Not Aligned to Agency's Human Capital Strategic Plan	5
	EPA Offices Prepared to Implement Human Capital Activities, But Further Actions Needed	5
	Office Strategies and Activities Not Aligned to Agency Strategy	6
	Varied Implementation Due to Inconsistent Management Emphasis	12
	Office Activities Not Being Aligned Affects Meeting Goals	12
	Recommendations	13
	Agency Comments and OIG Evaluation	14

Appendices

A	Details on Scope and Methodology	17
B	EPA's "Expect to See" Scorecard	19
C	EPA Office Response to 2004 OIG Human Capital Questionnaire	21
D	Highlights of Office Practices	27
E	Agency Response to Draft Report	31
F	Distribution	39

Chapter 1

Introduction

Purpose

The Office of Inspector General (OIG) initiated this review to determine the Environmental Protection Agency's (EPA's) preparedness for implementing a system that ensures employees possess the appropriate skills over time and are held accountable for performance and results. Specifically, we addressed the question:

Are Agency headquarters and regional offices prepared to implement strategic human capital management activities that will allow them to meet the Agency's goals and mission?

Background

“Human capital” has been defined as the knowledge, skills, abilities, attitudes, and interpersonal competencies needed to ensure successful accomplishment of an organization's mission and strategic goals. Simply stated, human capital means people. Two key principles central to human capital are: (1) people are assets whose value can be enhanced through investment, and (2) an organization's human capital policies must be aligned to support the organization's “shared vision.” The strategic management of human capital calls for a transformation in the employment, deployment, development, and evaluation of the workforce with results in mind.

Strategic human capital management has been emphasized as an area of concern throughout the Federal government. The OIG has identified human capital as one of EPA's top management challenges. The Government Accountability Office (formally the General Accounting Office) designated human capital as a high-risk area for all Federal agencies because workforce deficiencies are expected to be exacerbated by the upcoming retirement wave of the “baby-boom” generation. The President's Management Agenda (PMA) has included human capital as one of its major reform issues and has stressed reducing layers and redistributing staff from higher-level positions to front-line service-delivery. In the near-term, the PMA expects agencies to:

- ‘ Link human capital strategies to organizational mission, vision, core values, goals and objectives.
- ‘ Use strategic workforce planning and flexible tools to recruit, retain, and reward employees and develop a high performing workforce.

- ‘ Determine the core competencies and whether they can best be acquired through internal skills building or contracting out.
- ‘ Establish a statutory framework to make it easier for attracting and retaining the right people, in the right places, at the right time.

The Office of Personnel Management (OPM) is leading the PMA human capital initiative for the Federal government. OPM has developed tools and provides support to help agencies in their human capital transformation efforts. OPM collaborated with the Office of Management and Budget (OMB) and the Government Accountability Office to develop the Human Capital Assessment and Accountability Framework (HCAAF), a single reference source for self assessment and support for achieving the Human Capital Standards for Success. The Framework includes standards for success, critical success factors, and suggested performance indicators.

OMB routinely measures agencies’ progress on achieving PMA initiatives through the Executive Branch Management Scorecard. Agencies are tracked on how well they are executing the PMA initiatives, and where they stand at a given point in time against the overall standards for success. The scorecard employs a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. For the quarter ending March 31, 2004, EPA’s score on the human capital initiative was elevated to “yellow” from “red” for status and remains at “green” for progress.

The Agency recognizes that one of its biggest challenges is the development and implementation of a human capital management strategy that will result in a competent, well-trained, and motivated workforce with the right mix of skills and experience to achieve environmental goals and objectives.

In accordance with the PMA initiative, EPA is endeavoring to link human capital strategies to its mission, determine necessary core competencies, and use strategic workforce planning to attract, develop, and retain a high-performing workforce:

- ‘ EPA’s human capital strategic plan, “*Investing in Our People II, EPA’s Strategy for Human Capital, 2004 and Beyond,*” is designed to ensure a systematic process for identifying the human capital requirements to meet strategic and organizational goals. The *Strategy for Human Capital* also establishes goals and strategies for the Agency that are aligned with the HCAAF’s Standards for Success.
- ‘ EPA’s latest strategic plan, “*2003-2008 EPA Strategic Plan: Direction for the Future,*” emphasizes the importance of human capital within each of the Agency’s five strategic goals and includes a cross-goal strategy linked to the *Strategy for Human Capital* and the PMA.

While EPA has indicated a strong commitment to reaching the PMA goals, management acknowledges several requisite actions are needed. Specifically, these are the need to: (1) hold senior leaders accountable for successful implementation of human capital strategies; (2) develop and carry out good succession plans; (3) effectively communicate planned strategies across the Agency; and (4) establish a comprehensive accountability plan and consistently implement it throughout the Agency. EPA has many human capital initiatives aimed at investing in its employees and addressing the skill base needed to accomplish its mission. For example, EPA has developed:

- “ A National Strategic Workforce Planning System to help management identify the cross-functional as well as technical skills and the number and type of positions required, inventory the skills of the current workforce, examine attrition rates, forecast the number of new hires, identify gaps in an office’s human capital resources and workload demands, and strategically plan to address any gaps.
- “ Senior Executive Service (SES) candidate development and mobility programs aimed at systematically managing succession planning.
- “ A Human Capital Communication Plan for cascading human capital down and across organizational boundaries.
- “ A Human Capital Accountability Plan to ensure that human capital plans are effectively implemented.
- “ A Five-Year Restructuring Plan that focuses on the ways in which the Agency is addressing its most critical workforce issues, such as strategic and workforce planning, potential skill imbalances, the quality of science, information technology skills, quality of contracts, and grants oversight.

EPA’s Office of Administration and Resources Management (OARM) has primary responsibility for ensuring the Agency achieves the PMA human capital initiative. OARM must ensure that the Agency’s *Strategy for Human Capital* is aligned with missions, goals, and organizational objectives. The Assistant Administrator for Administration and Resources Management was designated as EPA’s Chief Human Capital Officer in accordance with the Homeland Security Act of 2002. In addition to the Chief Human Capital Officer, EPA’s National Human Resources Council advises the Administrator and Deputy Administrator on human resources issues and oversees the implementation of Agency-wide human capital initiatives.

Scope and Methodology

We developed and deployed a survey to collect data from all 22 EPA headquarters and regional offices (hereafter referred to as “offices”), to gauge offices’ progress in implementing strategic human capital management activities, identify causes for any lack of progress, and identify and emphasize ongoing activities or practices.

We gathered and analyzed information from the following sources that identify the key strategic human capital management activities that should be occurring across the Agency:

- “ The *Human Capital Standards for Success*, provided in OPM’s HCAAF.
- “ EPA’s *Strategy for Human Capital*, “Investing in Our People, 2001-2003,” and “Investing in Our People II, 2004 and Beyond.”
- “ The PMA initiative, “Strategic Management of Human Capital.”
- “ EPA’s “Proud to Be” submissions and updates provided to OMB, detailing its human capital efforts, the Agency’s Scorecard, and status reports.

We conducted this review in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We performed our field work from July 2003 through April 2004. We met with EPA officials, primarily within OARM. We considered the role and responsibilities of the Agency’s Human Resources Council. We discussed with senior executives their leadership view of Agency and office-level strategic human capital management activities. We also reviewed Agency core management processes.

Appendix A of this report provides further details on our scope and methodology. Appendix B provides an “Expect to See” Scorecard from our survey questions, and Appendix C includes a complete list of the OIG survey questions and responses. Appendix D illustrates ongoing office human capital activities that may serve as an example to those offices that have not fully embraced the human capital initiatives.

Chapter 2

Offices' Human Capital Activities Not Aligned to Agency's Human Capital Strategic Plan

EPA's headquarters and regional offices are prepared to implement strategic human capital management activities, but an alignment of office-level activities to the Agency's *Strategy for Human Capital* is lacking. Based on our survey results, senior executives are familiar with and are committed to human capital initiatives. However, we noted widespread variation among offices in implementing strategic human capital management activities, demonstrating the lack of alignment. Specifically, EPA offices are not engaged fully in activities related to:

- “ Human capital strategic plan development and implementation.
- “ Workforce planning, analysis, and deployment.
- “ Communicating human capital activities.
- “ Use of human capital performance measures.
- “ Establishment of human capital accountability systems.

EPA continues to be challenged to implement strategic human capital management activities Agency-wide. Senior executives vary in their recognition of the importance of human capital management. Also, human capital management activities have not been fully integrated into the Agency's core management processes. These factors contribute to inconsistency and disparity of human capital activities among the offices. Consequently, Agency-wide progress on office implementation of strategic human capital management activities cannot be measured, and the Agency's ability to hold offices accountable for achieving results is inhibited. It is also not clear how office-level activities that are not aligned to the Agency's *Strategy for Human Capital* will result in the timely and sustained accomplishment of the Agency's human capital goals. Ultimately, if EPA does not fulfill its human capital vision of having “people with the right skills, in the right place, at the right time to protect human health and the environment,” its ability to achieve its environmental mission may be impeded.

EPA Offices Prepared to Implement Human Capital Activities, But Further Actions Needed

We concluded that EPA offices are prepared to implement human capital management activities because offices stated or demonstrated their intention to strategically manage human capital as fundamental to mission accomplishment. Our survey analysis showed that nearly all offices (21 of 22) reported that their senior executives have demonstrated commitment to strategic human capital management activities. Although only half the offices responded that they have a

human capital strategy that supplements EPA's *Strategy for Human Capital*, the remainder reported they plan to do this. The 17 offices who stated they are prepared to implement strategic human capital management activities primarily credited two factors: the government-wide emphasis on the PMA, and the focused time and effort from senior executives.

The momentum behind the strategic management of human capital is growing throughout EPA. Several senior leaders have already led their offices through activities to use human capital to improve organizational performance, while others are beginning to do so and desire support from the Agency's human capital experts to guide their efforts. Offices collectively stated they would benefit from clearer direction and increased communication. Lack of training, expertise, and allocation of resources were cited as some reasons why five offices believed they are not prepared to implement strategic human capital management activities. Although these impediments impact the implementation of an office's activities, they are challenges that can be met with Agency assistance.

Office Strategies and Activities Not Aligned to Agency Strategy

While EPA's offices affirmed their preparedness to implement strategic human capital management activities, office strategies and activities did not appear to be aligned to the Agency's *Strategy for Human Capital*. This was indicated by widespread variation of office activities. Using OPM's HCAAF, we identified various categories of activities we would "expect to see" in an office that strategically manages its human capital.

The following sections illustrate the variations among the 22 offices in the areas of: (1) human capital strategic plan development and implementation; (2) workforce planning, analysis, and deployment; (3) communicating human capital activities; (4) use of human capital performance measures; and (5) establishment of human capital accountability systems. Appendix B provides an "Expect to See" Scorecard, while Appendix C illustrates the full extent of office variation. EPA cannot ensure overall accomplishment of its *Strategy for Human Capital* when human capital activities throughout the Agency vary to this extent.

Human Capital Strategic Plan Development and Implementation

EPA offices varied in their development of office-level human capital strategies and plans for implementing the strategies. Half of the offices had recognized the value of having strategies to supplement the Agency's *Strategy for Human Capital* and took the initiative to develop them. Most of these offices have also developed plans for implementing their strategies. However, the other half had not developed their own strategies or implementation plans, which, while not required, is strongly encouraged. The HCAAF expects agencies to link human

capital strategies to organizational mission, vision, core values and goals. Specifically, the survey indicated:

Survey Results on Developing Strategies
<p>“ 11 offices (50%) developed their own human capital strategies</p> <ul style="list-style-type: none"> (All 11 office strategies contained goals that supported their offices' strategic goals (All 11 office strategies were linked to the Agency's <i>Strategy for Human Capital</i> (8 of the 11 offices (73%) obtained input from other parties in developing their strategies
<p>“ The other 11 offices (50%) are still planning, or in process of developing, their own human capital strategies</p>
<p>“ 10 offices (45%) developed plans for implementing their human capital strategy</p>
<p>“ The other 12 offices (55%) are still planning, or in process of developing, their own human capital implementation plans</p>

Workforce Planning, Analysis, and Deployment

Many offices took the initiative to strategically plan and analyze their human capital needs by carrying out various components of the workforce planning process, but there are those who are lacking and need to do more. The HCAAF expects agencies to have an explicit workforce planning strategy linked to the agency’s strategic and program planning efforts, to help agencies identify such current and future human capital needs as workforce size and deployment across the organization, and the competencies needed. Offices reported varying levels of workforce planning, analysis, and deployment activities, as follows:

Survey Results on Workforce Planning, Analysis, and Deployment
<p>“ 15 offices (68%) had a workforce plan or process for assessing human capital needs</p>
<p>“ 14 offices (64%) identified mission-critical occupations and positions</p>
<p>“ 14 offices (64%) identified the necessary skills and competencies</p>
<p>“ 13 offices (59%) reorganized/restructured to better align for mission accomplishment</p>
<p>“ 17 offices (77%) analyzed recent workforce trends</p>
<p>“ 10 offices (45%) conducted a workflow analysis of mission-related activities</p>
<p>“ 10 offices (45%) forecasted the nature and extent of future workloads</p>
<p>“ 5 offices (23%) estimated their optimum workforce size</p>

Our analysis led us to conclude that leaders need to place more emphasis on identifying and closing gaps in their office’s workforce skills and competencies. The HCAAF expects agencies to identify, through a systematic process, mission-

critical occupations and competencies needed in the current and future workforce, and to develop strategies to close the gaps. The HCAAF further suggests that agencies should include a basic plan to close the gaps within their strategic workforce plans. The crucial nature of these steps in the workforce planning process dictates that they be performed in every office. We found that:

Survey Results on Closing Gaps
<p>“ 12 offices (55%) had taken steps to identify gaps between their workforce’s current skills and competencies and those needed to achieve their strategic goals</p> <ul style="list-style-type: none">(All 12 offices had a plan to address the gaps(8 of the 12 offices implemented their plans(5 of the 12 offices evaluated the impact of their actions to address the gaps

Most of the offices that had not performed the workforce planning activities in the above sections indicated they had either started or plan to do these tasks/actions.

EPA offices indicated they are committed to using EPA’s National Strategic Workforce Planning System (NSWPS) when it is rolled out Agency-wide. NSWPS is designed to capture employee competency information that can be used for identifying the generic and technical mission-critical skills and competencies needed to help EPA accomplish its mission. This information feeds into a four-step planning methodology: (1) demand analysis; (2) supply analysis; (3) gap/surplus analysis; and (4) workforce solutions. We found that:

Survey Results on NSWPS Pilot
<p>“ 10 offices (45%) participated in the NSWPS pilot</p> <ul style="list-style-type: none">(6 of the 10 offices received NSWPS pilot results(3 of the 6 offices used NSWPS pilot results to assist in strategic human capital decision-making
<p>“ 21 offices (95%) plan to fully participate in Agency-wide NSWPS implementation</p>

Communicating Human Capital Activities

While some offices seemed to recognize the need to communicate human capital activities, our analysis of survey results indicated that this was not occurring in all EPA offices. OPM’s HCAAF standards expect agency leaders to establish a clear vision for change, understand what it takes to bring about change, communicate the organization’s shared vision to all levels of the organization, and seek feedback from employees. While some offices appear to be committed to communicating human capital activities, the type, extent, and timing varied

considerably. The survey results suggest that most offices do not have a formal mechanism or communication plan. Furthermore, the survey results seemed to indicate that Agency-wide communication actions were helpful. Specifically:

Survey Results on Communication
" 14 offices (64%) communicate information to employees on strategic human capital management activities
" 7 offices (32%) had a "plan," such as a communication-marketing-outreach plan, to disseminate human capital information to employees
" 11 offices (50%) solicited employee feedback on their strategic human capital management activities. Senior executives overwhelmingly indicated that employee feedback helps to: <ul style="list-style-type: none">• increase employee participation in strategic human capital management activities• strengthen accountability and leadership of strategic human capital management activities• identify innovative approaches in strategic human capital initiatives
" 19 offices (86%) found EPA's Chief Human Capital Officer's September 5, 2003, Freelance presentation to all employees as helpful to inform employees of EPA's human capital efforts

Use of Human Capital Performance Measures

The Agency faces a challenge in establishing measurement systems that are aligned among all offices, but has taken some steps to prepare for strategic human capital performance measurement at the Agency level. Without performance measures, offices have no benchmark for tracking progress, and without consistent office-level measures the Agency will have no basis for measuring office progress in accomplishing the *Strategy for Human Capital*. Specifically, we found that:

Survey Results on Performance Measures
" Only 7 offices (32%) established performance measures to assess progress in achieving human capital strategic goals <ul style="list-style-type: none">(Only 1 of the 7 offices linked performance measures to EPA's <i>Strategy for Human Capital</i>(6 of the 7 offices linked these measures to their office's human capital strategy(Only 3 of the 7 offices used the performance measures to assess the effectiveness of their office's human capital management activities

EPA Agency-level metrics are still under development. According to OPM's HCAAF, organizations should establish a comprehensive set of measures to gauge organizational progress toward achieving human capital goals. EPA's Human Capital Accountability Plan, December 2003, was designed to provide a methodology for tracking progress and assessing the effectiveness and impact of

the Agency's *Strategy for Human Capital*. The Plan, while being piloted-tested, listed performance metrics for about one-third of the 19 human capital strategies.

Establishment of Human Capital Accountability Systems

The Agency has some key building blocks of accountability in place for strategic human capital management, but still faces a challenge in establishing a systematic approach to ensuring office accountability for implementing the Agency's *Strategy for Human Capital*. OPM's HCAAF recognizes that human capital needs to be integrated into performance plans and budgets, and human capital decisions should be guided by data-driven, results-oriented planning and accountability systems. Accordingly, the desired outcome is to have Agency senior executives factor human capital considerations into budget requests, operating plans, performance plans, and accountability systems. An accountability system involves documenting processes, measures, and results; periodically analyzing results; identifying risks; ensuring that controls are in place to address problems; and modifying strategies, activities, or processes as necessary. The survey results show that offices vary in addressing accountability:

Survey Results on Accountability
" 9 offices (41%) stated they have a system for ensuring accountability of human capital management activities
" 18 offices (82%) indicated their senior executives are being held accountable for strategic human capital management implementation
" 5 of the 12 headquarters offices that prepare their own budgets responded that their fiscal 2005 budget submission specifically showed how their office's human capital activities will support their strategic goals

In reviewing EPA's human capital accountability processes, we also considered the structure of the Agency-level human capital accountability plan, recent changes in executive performance standards, integration of human capital into the budget process, and use of the annual planning/reporting process to strengthen accountability at the office and Agency level. The results are described below.

Accountability Plan Not Focused on Office Implementation. EPA's Human Capital Accountability Plan recognizes offices as partners for achieving human capital strategies, but does not integrate the implementation of office activities to track Agency progress. Specifically, EPA has not deployed accountability for implementing the *Strategy for Human Capital* to offices through clear delegation of tasks, specific responsibilities, and expectations. OARM has not done so because officials thought that requiring office-level human capital activities could be counter-productive to gaining the acceptance and support needed for successful Agency-wide implementation. We believe the absence of a structure that assigns responsibilities and holds offices accountable to implement human capital activities makes it hard for EPA to assess and ensure progress in implementing its

Strategy for Human Capital. The Plan must be more of a catalyst for human capital change that is shared with offices, shows office progress and highlights accomplishments, and identifies areas needing additional work.

SES Performance Standards Changed. EPA recently revised its SES performance standards to include more explicit strategic human capital management issues. However, EPA will not be able to judge the effectiveness of this change until the end of the performance appraisal cycle. We first suggested this change in fiscal 2003. Subsequently, strategic human capital management gained more prominence when management revised the SES performance standards in fiscal 2004, focusing attention on all PMA initiatives collectively. Consistent with HCAAF, managers should be held accountable for effective implementation of human capital plans and overall human capital management, and management performance evaluations should contain measurable objectives and evidence of success in the management of human capital. With revised standards already in place, OARM has an opportunity to provide additional guidance to senior executives to help ensure a strategic human capital focus. The next step should be to ensure PMA initiatives are explicitly addressed in senior executives' self-assessments and appraisals.

Integrating Strategic Human Capital with Budget Process. Strategic human capital management is not explicitly part of the Agency's budget process. Consistent with OPM's HCAAF, EPA's *Strategy for Human Capital* recognizes the Agency's need to "integrate human capital with strategic planning, budgeting and accountability systems." In fiscal 2003, OIG first suggested that human capital be integrated into offices' fiscal 2005 and subsequent budget proposals, to make the Agency's strategic human capital management a fundamental part of the Agency's core decision-making processes. Highlighting human capital throughout the budget process and making it a key factor in determining resource requirements would help drive a cultural attitude and behavior change about human capital management. EPA continues to explore options for integrating human capital into its budget process.

Reporting Strategic Human Capital Management Progress. While EPA seems committed to reporting its strategic human capital progress, it does not report on office progress in achieving the *Strategy for Human Capital*. According to the *2003-2008 EPA Strategic Plan: Direction for the Future*, "EPA will make planning, reporting, and accountability for effective human capital management an essential component of its Annual Performance Plan and Budget." However, the only related measure in EPA's 2003 Annual Report counts the number of offices using the workforce planning model. This measure also appears in the 2004 and 2005 Annual Plans, but does not address the overall progress achieved by offices in implementing their strategic human capital management activities. To strengthen office-level accountability, we believe EPA needs to establish more

comprehensive measures for reporting in the Annual Report its progress in achieving its *Strategy for Human Capital*.

Varied Implementation Due to Inconsistent Management Emphasis

We believe the many variances that exist in office-level implementation of human capital activities can be attributed to these activities not being fully integrated into such Agency core management processes as the budget, the SES Performance Management System, and various accountability systems. We also believe the level of importance senior executives place on human capital as a smart business practice directly affects how the offices carry out human capital activities and accounts for the office variances. These factors may hamper the Agency's ability to successfully implement its *Strategy for Human Capital*. Senior executives must provide the leadership needed to ensure human capital receives the level of attention it requires, and must maintain a consistent strategic approach to managing and maintaining human capital for mission accomplishment.

Although the Agency has begun to address integrating human capital activities into its core management processes, there is still more that needs to be done. Full integration of human capital will help drive the Agency in achieving its desired human capital results by doing the following:

- ' **SES Performance Management System.** Creating a "line of sight" between an individual's efforts and the results the organization is trying to achieve, and providing a system of accountability for senior executives.
- ' **Budget Process.** Providing a link between the work of EPA's employees and the environmental results the Agency is striving to attain; budget decisions should be based on sound strategic human capital plans.
- ' **Accountability Systems (such as annual planning and reporting).** Providing a mechanism for measuring the progress of offices' implementation of human capital and for holding offices accountable.

Office Activities Not Being Aligned Affects Meeting Goals

Offices' strategic human capital management activities must be aligned to the Agency's *Strategy for Human Capital* to bring about timely and sustained human capital change. Without this, widespread office variance in implementing strategic human capital management activities may continue, thus delaying the Agency's efforts to implement the Strategy. Ultimately, if EPA does not fulfill its human capital vision of having "people with the right skills, in the right place, at the right time to protect human health and the environment," its ability to achieve its environmental mission may be impeded.

It remains unclear how varying implementation of office-level activities will affect the accomplishment of EPA's human capital goals. For example:

- “ Varying human capital strategic plan development and its implementation may affect a consistent, unified Agency-wide approach to implement the *Strategy for Human Capital*.
- “ Varying workforce development activities may affect the Agency-wide assessment of current and future workforce needs and planned gap strategies.
- “ Varying communications may affect the cascading to employees of a consistent Agency-wide human capital message and understanding of employee responsibilities.

In addition, Agency-wide progress on the office implementation of strategic human capital management activities cannot be measured, and the Agency’s ability to hold offices accountable for achieving results that contribute to the Agency’s human capital goals may be inhibited. Accordingly, there is no assurance that as offices vary in implementing strategic human capital activities, the Agency’s *Strategy for Human Capital* will attain success.

Recommendations

We recommend that the Acting Assistant Administrator for Administration and Resources Management, in coordination with the National Human Resources Council:

- 2-1 Revise the guidance for the SES Performance Management System. As part of the performance appraisal process, each senior executive’s self assessment should be required to have a separate document that addresses the PMA initiatives, including human capital. Also, evaluate the SES appraisals to determine whether senior executives are being held accountable for strategic human capital management and the other PMA initiatives, and report the results back to each office head.
- 2-2 Include measures in the “Annual Plan” and “Annual Report” that reflect achievement of the Agency’s human capital strategies in its *Strategy for Human Capital*.
- 2-3 Revise the “EPA Human Capital Accountability Plan” and “Human Capital Action Plan” to hold offices accountable to implement the *Strategy for Human Capital*. The Plans should address the strategic human capital management activities to be implemented by each office, measure office human capital progress, and assign office responsibilities for implementing human capital activities.
- 2-4 Develop a “Scorecard” of office accountability in human capital implementation that aligns to the Agency’s *Strategy for Human Capital*; the “Scorecard” can be used to assess and guide office progress to accomplish the Strategy.

- 2-5 Establish Senior Human Capital Officers in each office to ensure office accountability and reporting.
- 2-6 Establish a pro-forma, office-specific Human Capital Communications-Marketing-Outreach “Plan” adaptable by each headquarters and regional office. The pro-forma plan should link to the Agency’s Communication Plan and support a coordinated and consistent communication of the Agency’s *Strategy for Human Capital* and implementation efforts. The pro-forma “Plan” should:
- identify individual responsibilities and expectations for communicating human capital issues;
 - provide for a feedback mechanism to ensure employee understanding of strategic human capital management activities; and
 - present various types of communication activities and related milestones.
- 2-7 Use the OIG Human Capital Questionnaire survey results in discussions with each office’s senior executives on the actions that need to be taken to align office activities with the Agency’s *Strategy for Human Capital*.

We also recommend that the Acting Assistant Administrator for Administration and Resources Management, in coordination with the Chief Financial Officer:

- 2-8 Integrate human capital management activities into the Agency’s budget process beginning with the fiscal 2006 budget cycle. Agency budget decisions need to consider justifications and analysis of strategic human capital needs. As part of this process, the Assistant Administrator for Administration and Resources Management should be given a “seat at the table,” such as at budget forum or budget planning meetings, to ensure human capital discussions occur and budget decisions are aligned to the Agency’s *Strategy for Human Capital*.

Agency Comments and OIG Evaluation

In a June 29, 2004, memorandum, EPA’s Acting Chief Human Capital Officer responded to the draft report, incorporating relevant comments from the Agency’s Chief Financial Officer as well as those from headquarters and regional offices (see Appendix E). Management concurred with our findings and noted its intent to take action on many of this chapter’s recommendations. For example, Agency officials recognized the need to establish and ensure accountability at all levels throughout the Agency and to effectively communicate human capital plans and strategies across the Agency. In particular, management stated it would place more focus on aligning human capital activities at both the local and national level, and would integrate strategies to ensure accountability.

However, in some instances, the Agency's response and planned actions did not capture the full intent of the recommendation. As such, we will meet with responsible officials as they develop a corrective action plan to implement these recommendations. During these meetings, we will continue to clarify the intent of the recommendations to ensure EPA's actions are directed at its core business processes and help institutionalize human capital culture change throughout the Agency.

Details on Scope and Methodology

We gathered and analyzed information from a variety of sources to determine the Agency's preparedness to implement strategic human capital management activities and to identify ongoing strategic human capital management activities throughout the Agency. We reviewed the OPM's HCAAF and its related Human Capital Standards for Success. We reviewed EPA's *Strategy for Human Capital, Investing in Our People, 2001-2003*, and *Investing in Our People II, 2004 and Beyond*. We also reviewed the *2003-2008 EPA Strategic Plan: Direction for the Future*, which integrates human capital across each of the Agency's environmental goals and also recognizes human capital as a cross-goal strategy that plays a critical role in accomplishment of Agency goals. We reviewed the PMA's *Strategic Management of Human Capital* initiative. We reviewed EPA's "Proud to Be" submission to OMB for its human capital activities, the Agency's PMA "Scorecard," and related status reports.

We also considered the ongoing in-house efforts to enhance strategic human capital management activities throughout the Agency. Accordingly, we considered the efforts of the Agency's Chief Human Capital Officer to influence, communicate, and integrate the strategic human capital initiatives into the Agency decision-making processes. We reviewed the OARM's Office of Human Resources and Organizational Services' "2003 Accomplishments Report," OARM's Human Capital Press Releases, and all-hands memorandum "EPA's Human Capital Effort." We also considered the Agency's process for tracking and measuring human capital progress, including the current Office of Human Resource's Human Capital Action Plan Status Report, EPA's Human Capital "Communications Plan" and "Accountability Plan," and the Agency's implementation of its NSWPS.

We met with various EPA officials, primarily within OARM as well as the Office of the Chief Financial Officer. We considered the role and responsibilities of the Agency's Human Resources Council. We met with senior executives in EPA to obtain their views of the Agency's and their office's strategic human capital management activities. We also met with officials from OPM, OMB, and the Government Accountability Office, to identify additional guidance available and to obtain their advice on Government-wide and EPA-specific human capital issues.

We used data collected through a Lotus Notes-based survey instrument to help us (1) gauge offices' progress in implementing strategic human capital management activities, (2) recognize the causes for any lack of progress, and (3) identify leading practices. The survey focused on leadership, communication, and accountability as drivers and impediments, to determine Agency preparedness in implementing strategic human capital management activities throughout the Agency and how effectively they are driving human capital change at EPA. The survey was designed to gain an understanding of the 22 headquarters and regional offices' human capital commitment, and determine how strategic human capital management activities link to the Agency's decision-making processes. The survey was distributed to the Deputy Administrator, Assistant Administrators, Regional Administrators, General Counsel, and Chief Financial Officer representing the Agency's 22 offices (we excluded the OIG). The survey questions were

developed using criteria set forth in OPM's HCAAF, including its "standards for success," and related performance indicators. The survey was designed as a self-assessment tool.

For 19 selected questions, each office had to provide documentation or demonstrate their strategic human capital management activities, which we depicted as "expect to see" activities. As the survey was also designed to provide indicators of office success, these strategic human capital activities represented actions we expected that an office should be undertaking under a sound strategic human capital program. When a "yes" response was selected, each office was to provide supporting documentation or demonstrate such activity was occurring. The survey was reviewed by OARM and OPM officials. The on-line survey was opened for offices input from January 20, 2004, through February 4, 2004. Based on our review objectives, we did not evaluate the effectiveness of the office's strategic human capital management activities.

In addition to using the survey responses and the office's submitted documentation in determining "office preparedness," we also considered both Agency-wide and office-level strategic human capital management activities. We focused on such areas as senior executive commitment, human capital communication and outreach efforts, and senior executives' understanding of their human capital roles and responsibilities. We considered ongoing efforts to implement strategic human capital management activities, such as human capital strategic plans and workforce planning, and looked at how Agency core management process actions can guide the human capital change. Further, we considered the measuring and tracking of human capital progress, and systems for holding leaders accountable.

We also reviewed Agency core management processes to determine how human capital initiatives were strategically integrated into the Agency's decision-making and how it helped drive Agency actions. We reviewed the Agency's core management processes – the budget process, SES Performance Management System, and Performance Plans and Annual Report. Core management process improvements are essential to drive cultural attitude and behavior changes regarding human capital management and to enhance accountability.

EPA's "Expect to See" Scorecard * Strategic Human Capital Management Activities		
	"Yes" Response	"No" Response
Human Capital Strategic Plan and Implementation		
1. Does your office have a human capital strategy which supplements the EPA's Strategy for Human Capital "Investing in our People, 2001-2003" or as revised, "Investing in Our People II, 2004 and Beyond"?	11	11
5. Does your office have a plan for implementing your or the Agency's human capital strategy (e.g. tactical plan or annual human capital plan)?	10	12
Workforce Planning, Analysis, and Deployment		
6. Does your office have a plan/ process to assess your current and future human capital needs to support your office's strategic goals?	15	7
7. Has your office completed any workflow analysis of mission-related activities?	10	12
8. Has your office forecasted the nature and extent of your future workloads?	10	12
9. Has your office estimated your optimum workforce size?	5	17
10. Has your office identified which occupations and positions are mission-critical?	14	8
11. Has your office identified which workforce skills and competencies will be necessary?	14	8
12. Has your office restructured/reorganized?	13	9
13. Has your office analyzed recent workforce trends (e.g. recruitments, promotions, turnovers, occupations, demographics)?	17	5
14. Has your office determined if there are gaps in your workforce's current skills/competencies/ occupations/positions and those needed to achieve your office's strategic goals?	12	10
15. Does your office have a plan to address gaps in your workforce's skills/competencies/ occupations/positions (e.g. training plan, recruitment plan, retention plan, succession plan)?	12	0; 10-n/a
15b. Has your office evaluated the impact of your actions to address the gaps in your workforce's skills/competencies/occupations/positions?	5	7; 10-n/a
Communications		
18. Has your office developed a plan to disseminate information about your strategic human capital management activities to employees (e.g. communication plan, marketing plan, outreach plan)?	7	15
19. Has your office communicated to employees information about your strategic human capital management activities (e.g. e-mails, memorandum, briefings, meetings, focus groups)?	14	8
20. Has your office solicited employee feedback regarding your strategic human capital management activities?	11	11
Performance Measures / Accountability		
23. Has your office established performance measures to assess your progress in achieving human capital strategic goals?	7	15
25. Does your office have a system for ensuring accountability of your strategic human capital management activities?	9	13
26. Are your office's senior executives held accountable for implementing your strategic human capital management activities (e.g. expectations agreements, individual commitments, performance agreements)?	18	4
* The results depict the responses received from the Agency's 22 headquarters and regional offices in responding to selected questions in the OIG's 2004 Human Capital Questionnaire. These questions were identified as "Expect To See" activity, representing an office's strategic human capital management activity in accordance with OPM's HCAAF. When a "yes" response was selected, each office was to provide supporting documentation or demonstrate such activity.		

Appendix C

EPA OFFICE RESPONSE TO 2004 OIG HUMAN CAPITAL QUESTIONNAIRE																									
QUESTION	HEADQUARTERS OFFICES												REGIONAL OFFICES										Total Responses By Question		
	AO	OAR	OARM	OCFO	OECA	OEI	OGC	OIA	OPPTS	ORD	OSWER	OW	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	Yes	No	Unanswered or NA
HUMAN CAPITAL STRATEGIC PLAN AND IMPLEMENTATION																									
1. Does your office have a human capital strategy which supplements the EPA's Strategy for Human Capital "Investing in our People, 2001-2003" or as revised, "Investing in Our People II, 2004 and Beyond"?	No	No	No	Yes	Yes	Yes	No	No	No	No	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	No	11	11	0
2. Does your office's human capital strategy contain human capital goals which support the strategic goals of your office?				Yes	Yes	Yes					Yes		Yes	Yes	Yes		Yes		Yes	Yes	Yes		11	0	11
3. Are your office's human capital goals linked to EPA's Strategy for Human Capital?				Yes	Yes	Yes					Yes		Yes	Yes	Yes		Yes		Yes	Yes	Yes		11	0	11
4. In preparing your human capital strategy, did you get input from parties inside or outside of EPA?				Yes	Yes	Yes					Yes		Yes	Yes	No		Yes		No	No	Yes		8	3	11
5. Does your office have a plan for implementing your or the Agency's human capital strategy (e.g. tactical plan or annual human capital plan)?	No	No	No	Yes	Yes	Yes	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes	No	No	Yes	No	Yes	No	10	12	0
WORKFORCE PLANNING, ANALYSIS AND DEPLOYMENT																									
6. Does your office have a plan/process to assess your current and future human capital needs to support your office's strategic goals?	No	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	No	15	7	0
In October 2000, EPA issued its Strategy for Human Capital "Investing in Our People, 2001-2003." Questions 7-13 inquire about actions taken in support of your office's strategic goals subsequent to the issuance of this document.																									
7. Has your office completed any workflow analysis of mission-related activities?	No	No	Yes	Yes	Yes	No	Yes	No	No	No	Yes	Yes	Yes	No	Yes	No	No	No	Yes	Yes	No	No	10	12	0
8. Has your office forecasted the nature and extent of your future workloads?	No	No	Yes	No	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No	No	No	Yes	Yes	No	No	10	12	0
9. Has your office estimated your optimum workforce size?	No	No	Yes	Yes	No	Yes	Yes	No	No	No	No	No	No	No	No	No	No	No	Yes	No	No	No	5	17	0

EPA OFFICE RESPONSE TO 2004 OIG HUMAN CAPITAL QUESTIONNAIRE																										
QUESTION	HEADQUARTERS OFFICES												REGIONAL OFFICES										Total Responses By Question			
	AO	OAR	OARM	OCFO	OECA	OEI	OGC	OIA	OPPTS	ORD	OSWER	OW	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	Yes	No	Unanswered or NA	
10. Has your office identified which occupations and positions are mission-critical?	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes	No	Yes	14	8	0	
11. Has your office identified which workforce skills and competencies will be necessary?	No	No	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	14	8	0	
12. Has your office restructured/reorganized?	Yes	No	Yes	Yes	No	Yes	No	No	No	Yes	Yes	No	Yes	No	Yes	No	Yes	No	Yes	Yes	Yes	Yes	13	9	0	
13. Has your office analyzed recent workforce trends (e.g. recruitments, promotions, turnovers, occupations, demographics)?	Yes	No	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	17	5	0	
MEETING YOUR WORKFORCE SKILLS/COMPETENCIES GAPS																										
14. Has your office determined if there are gaps in your workforce's current skills/competencies/occupations/positions and those needed to achieve your office's strategic goals?	No	No	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No	No	No	12	10	0	
15. Does your office have a plan to address gaps in your workforce's skills/competencies/occupations/positions (e.g. training plan, recruitment plan, retention plan, succession plan)?			Yes	Yes	Yes		Yes			Yes	Yes	Yes	Yes	Yes		Yes		Yes				12	0	10		
15a. Has your office implemented this plan?			No	Yes	No		Yes			Yes	No	No	Yes	Yes	Yes		Yes		Yes				8	4	10	
15b. Has your office evaluated the impact of your actions to address the gaps in your workforce's skills/competencies/occupations/positions?			No	Yes	No		Yes			No	No	No	Yes	No	Yes		No		Yes				5	7	10	

EPA OFFICE RESPONSE TO 2004 OIG HUMAN CAPITAL QUESTIONNAIRE																									
QUESTION	HEADQUARTERS OFFICES												REGIONAL OFFICES										Total Responses By Question		
	AO	OAR	OARM	OCFO	OECA	OEI	OGC	OIA	OPPTS	ORD	OSWER	OW	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	Yes	No	Unanswered or NA
EPA'S STRATEGIC WORKFORCE PLANNING SYSTEM - PARTICIPATION & RESULTS																									
16. Has your office (or any component) participated in the Agency's National Strategic Workforce Planning System (NSWPS) pilot?	No	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	No	No	No	No	Yes	No	Yes	No	Yes	No	No	Yes	10	12	0
16a. Did your office (or any component) receive NSWPS results (e.g. skills/ competencies inventory database, extent of participation)?		Yes	Yes	No	No				No	Yes						Yes		Yes			Yes	6	3	13	
16b. Has your office (or any component) used these NSWPS results to assist in strategic human capital decision-making?		No	Yes							Yes						No		Yes			No	3	3	16	
17. Does your office plan to fully participate in the Agency-wide NSWPS implementation (scheduled for later this year)?	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	21	1	0
COMMUNICATION -- GETTING THE MESSAGE OUT AND RECEIVING FEEDBACK																									
18. Has your office developed a plan to disseminate information about your strategic human capital management activities to employees (e.g. communication plan, marketing plan, outreach plan)?	No	No	No	Yes	No	Yes	No	No	No	No	No	No	Yes	Yes	Yes	Yes	No	No	No	No	Yes	No	7	15	0
19. Has your office communicated to employees information about your strategic human capital management activities (e.g. e-mails, memorandum, briefings, meetings, focus groups)?	No	No	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No	Yes	No	Yes	No	14	8	0
20. Has your office solicited employee feedback regarding your strategic human capital management activities?	No	No	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	No	Yes	Yes	Yes	No	No	No	Yes	No	Yes	No	11	11	0
20a. Has your office used this feedback to improve your strategic human capital management activities?			Yes	Yes	Yes	Yes				Yes	Yes		Yes	Yes	Yes				No		Yes		10	1	11

EPA OFFICE RESPONSE TO 2004 OIG HUMAN CAPITAL QUESTIONNAIRE																										
QUESTION	HEADQUARTERS OFFICES												REGIONAL OFFICES										Total Responses By Question			
	AO	OAR	OARM	OCFO	OECA	OEI	OGC	OIA	OPPTS	ORD	OSWER	OW	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	Yes	No	Unanswered or NA	
21. On September 5, 2003, EPA's Chief Human Capital Officer issued a Freelance presentation in an e-mail to all employees which provided an overview of where EPA is headed with its human capital efforts. Did you find this document helpful to inform employees of EPA's human capital efforts?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	19	3	0
22. Have your employees received OARM's Human Capital Press Release #1 "Every EPA Employee has a role to play in our HC effort - we are all in this together!" describing EPA employees' human capital roles and responsibilities?	Yes	No	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes	No	No	Yes	13	9	0	
22a. Did you find OARM's Human Capital Press Release #1 as helpful in your efforts to inform employees of their human capital roles and responsibilities?	No		Yes	Yes			Yes	Yes	No		No	No	Yes			Yes		Yes	Yes			Yes	9	4	9	
PERFORMANCE MEASURES / ACCOUNTABILITY																										
23. Has your office established performance measures to assess your progress in achieving human capital strategic goals?	No	No	Yes	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	No	7	15	0	
24. Has your office used the performance measures to assess the effectiveness of your strategic human capital management activities?			No										Yes	No	No				No	Yes	Yes		3	4	15	
25. Does your office have a system for ensuring accountability of your strategic human capital management activities?	No	No	Yes	Yes	No	Yes	Yes	No	No	No	Yes	No	Yes	No	No	No	No	Yes	Yes	Yes	No	9	13	0		
26. Are your office's senior executives held accountable for implementing your strategic human capital management activities (e.g. expectations agreements, individual commitments, performance agreements)?	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	18	4	0	

EPA OFFICE RESPONSE TO 2004 OIG HUMAN CAPITAL QUESTIONNAIRE																										
QUESTION	HEADQUARTERS OFFICES												REGIONAL OFFICES										Total Responses By Question			
	AO	OAR	OARM	OCFO	OECA	OEI	OGC	OIA	OPPTS	ORD	OSWER	OW	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	Yes	No	Unanswered or NA	
GUIDING THE HUMAN CAPITAL CHANGE																										
27. Have your office's senior executives demonstrated commitment to strategic human capital management activities?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	21	1	0									
28. Did your FY 2005 budget submission specifically show how your office's strategic human capital management activities will help achieve your strategic goals?	No		Yes	No	Yes	No	Yes	No	No	Yes	No		No	No	No	No	No	Yes	No	No	No	No	5	15	2	
29. Does your office view OHROS as the "first strategic partner of choice" for assistance with strategic human capital management activities?	Yes	No	Yes	No	Yes	No	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	16	6	0	
30. Does your office want more support from OHROS to ensure the success of your strategic human capital management activities?	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	18	4	0	
31. Does your office receive information regarding EPA's Human Resources Council's (HRC) activities and share it with staff?	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	20	2	0	
32. Does your office have its own Human Resources Council?	No	No	No	Yes	Yes	No	Yes	No	No	Yes	No	No	Yes	No	Yes	Yes	No	No	No	No	Yes	Yes	9	13	0	
HUMAN CAPITAL "PREPAREDNESS" -- KEY DRIVERS AND IMPEDIMENTS TO SUCCESS																										
33. Do you believe your office is prepared to implement strategic human capital management activities that will allow your office to achieve its strategic goals?	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	17	5	0	
33a.(Yes) Which key factors have helped you prepare to implement its strategic human capital management activities? *																										

EPA OFFICE RESPONSE TO 2004 OIG HUMAN CAPITAL QUESTIONNAIRE																									
QUESTION	HEADQUARTERS OFFICES												REGIONAL OFFICES										Total Responses By Question		Unanswered or NA
	AO	OAR	OARM	OCFO	OECA	OEI	OGC	OIA	OPPTS	ORD	OSWER	OW	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	Yes	No	
33a. (No) What are the key impediments deterring your office from being prepared to implement strategic human capital management activities that would allow you to achieve your strategic goals?*																									
33b. What additional actions are needed to implement your office's strategic human capital management activities?*																									
Total "Yes" Responses By Office	10	7	29	31	24	20	24	12	11	25	25	13	33	25	28	12	21	13	32	21	24	12	452		
Total "No" Responses by Office	19	22	7	6	12	12	8	17	19	9	11	18	4	11	8	17	15	16	7	11	9	19	277		
Total Questions Not Applicable or Unanswered	10	10	3	2	3	7	7	10	9	5	3	8	2	3	3	10	3	10	0	7	6	8		129	

ABBREVIATIONS

AO - Office of the Administrator
OAR - Office of Air and Radiation
OARM - Office of Administration and Resources Management
OCFO - Office of the Chief Financial Officer
OECA - Office of Enforcement and Compliance Assurance
OEI - Office of Environmental Information
OGC - Office of General Counsel
OIA - Office of International Affairs

OPPTS - Office of Prevention, Pesticides, and Toxic Substances
ORD - Office of Research and Development
OSWER - Office of Solid Waste and Emergency Response
OW - Office of Water
R1 - Region 1
R2 - Region 2
R3 - Region 3
R4 - Region 4

R5 - Region 5
R6 - Region 6
R7 - Region 7
R8 - Region 8
R9 - Region 9
R10 - Region 10
NA - Not Applicable

* These questions are shown for illustrative purposes only. They did not require a "yes/no" response, but rather a narrative response.

Highlights of Office Practices

What kinds of activities reflect the *strategic management of human capital*? The following highlights capture a few of the practices from offices within EPA, and demonstrate the wide range of activities that make up human capital management. This information was compiled from office responses to the 2004 OIG Human Capital Questionnaire and the documents supplied by offices in support of those responses. These highlighted practices are provided for information purposes only and are intended to promote information sharing among offices; the OIG did not verify this information or make conclusions about its effectiveness.

Human Capital Strategic Plan Development and Implementation

Office of the Chief Financial Officer

This Office's *Workforce Development Strategy* (Interim Report, Version 2, February 2004) includes updates on the Organizational Improvement Plan and Workforce Assessment and Training Strategy. Employee satisfaction, professional development, recruitment/retention, and internal communication comprise the goals of the Organizational Improvement Plan, and performance measures link actions taken in pursuit of these goals to tangible results.

Office of Solid Waste and Emergency Response

This Office's Workforce Development Strategy was delivered to employees via memorandum in March 2002. The strategy encompasses succession planning, recruitment and hiring, employee development, and retention. The strategy initiatives were crafted with assistance from the Office's Workforce Advisory Board, whose members (the Office's managers and staff, two union officials, and one Office of Human Resources representative) provide continuing advice and assistance to the Office of Solid Waste and Emergency Response's leadership on employee concerns and issues.

Region 5

Region 5 consulted with the EPA Human Resource Council and labor unions to draft its *Implementation Plan for Human Capital Strategy* that is linked with the Agency's goals. Goal 1, "Agency systems and Regional organizational structures are well designed and work together to position and support EPA employees in accomplishing the Agency's strategic goals," uses the identified priorities of each program office to integrate human capital workforce strategies with region-wide planning, budgeting, and accountability systems. Each Division and Office evaluates vacancies prior to being filled to consider whether the position needs to be redefined, redirected, or accomplished with different knowledge, skills, and abilities.

Workforce Planning, Analysis, and Deployment

Office of Enforcement and Compliance Assurance

This Office performed a qualitative assessment of its future needs as an enforcement organization and identified three categories of critical skills that focus the goals and objectives outlined in their *Human Resources Strategy*:

1. General skills for all employees: includes communication, analytic, organizational, capacity building, experience diversity, international effectiveness, and organizational agility/flexibility.
2. Specific knowledge and expertise critical to mission performance: includes legal, media programs/subject matter expertise, sector/problem approaches to high risk matters, information technology, compliance monitoring/investigation, financial expertise, science/technical, and administrative.
3. Management skills for future leaders: includes core training for successful managers, demonstrate/communicate results-based management, and executive training to lead change, lead people, drive results, promote business acumen, and build coalitions/communication.

Deputy directors also committed to hosting a series of information sessions open to all Office employees designed to provide insight into the development of the *Strategy's* different goals.

Office of Research and Development

Goal 2 of the Office's *Strategic Plan*, "Be a High-Performing Organization," relies on commitment to strategic human capital management and activities to maintain excellence in scientific and engineering research. In 2000, the Office adopted a centralized, "corporate" approach to workforce planning – senior management first identified critical work priorities, then crafted a methodology involving demand, supply, gap, and solutions analyses:

- Demand Analysis: Define trends/problems to be addressed and staff competencies required.
- Supply Analysis: Assess skills/competencies of Office workforce; uncover vulnerabilities.
- Gap Analysis: Identify areas of critical challenge in retaining/developing the needed skills.
- Solutions Analysis: Develop recommendations for strategies and decisions to meet workforce planning challenges and further Office's goal of having a superior workforce.

This approach was highlighted by the Agency's NSWPS workgroup in the "Draft Requirements Analysis for EPA's Strategic Workforce Planning (SWP) Methodology."

Region 7

During the development of Region 7's *Regional Strategic Plan*, senior management ensured the workflow and connection of activities were accurate, aligned current to future competencies, and defined current and future workloads necessary to successfully accomplish the Agency's five strategic goals. Region 7 centralizes its management of resources/positions to best address any gaps. This centralized approach provides flexibility to use all available hiring authorities; ensures the organization's diverse approach will lead to optimum workforce size; and enables recruitment and development of individuals using the guideposts of diversity, skills, competencies, work experience, and education (Region 7 has memorandums of understanding in place with three universities to encourage workforce diversity). The region also uses an annual survey to identify learning needs and develop a training plan.

Communicating Human Capital Activities

Office of the Administrator

The Office's *Quality of Work Life Initiatives* program supports six workgroups that generate recommendations on communications, performance evaluation/feedback, awards/recognition, training/career development, up-down feedback, and the Office's core values/vision.

Workgroups are comprised of the Office's staff, managers, Special Emphasis Program Managers, and union representatives who meet on a regular basis to respond to employees' concerns.

Members are "working to create a supportive, high performance work environment to ensure all employees receive the opportunity to reach their full potential in contributing to the accomplishment of the Office of the Administrator's mission." Program initiatives are communicated throughout the Office via internet and newsletter.

Region 2

Region 2 established an Organizational Change Workgroup to develop a strategy for achieving four organizational change goals involving communication, cooperation, innovation, and succession management. The Workgroup uses e-mail, focus groups, and several all-employee meetings to communicate status and obtain feedback on human capital-related action items.

Through periodic surveys, the workgroup measures progress in achieving these four goals and receives input on additional needed actions from the entire Region 2 community.

Region 9

Region 9's Human Resources Office targeted the unique needs and roles of management, employees, special emphasis groups, the labor/management partnership council, and external customers while developing their *Human Capital Communications and Collaboration Strategy* and *Human Resources Office Customer Service Communications Strategy*. Communication activities with these groups are specifically devised to maximize efficiency, enhance understanding, and promote collaboration in the human capital arena.

Performance Measures and Accountability Systems

Office of Environmental Information

The Office's Human Capital Strategy for Fiscal 2004-2008, *Invest In Our People, Excel In Our Work*, sequences human capital activities by establishing priority areas of focus for each year:

- Fiscal 2004: Infrastructure, Workforce Assessment and Ongoing Workforce Needs
- Fiscal 2005-06: Workforce Development and Ongoing Workforce Needs
- Fiscal 2007: Workforce Planning and Ongoing Workforce Needs
- Fiscal 2008: Review Office's Human Capital Strategy and Ongoing Workforce Needs

At the start of a new fiscal year, the Office adopts an action plan to serve as the tactical tool for structuring activities and achieving milestones planned for accomplishing human capital goals.

Lead offices assigned to specific milestones develop their own implementation plans, which include success measures of indicators, target completion dates, and estimated resource needs.

Quarterly progress reports will be required of each lead office and shared with everyone.

Region 1

In 2000, Region 1 began a consensus-building process to address human capital management activities and drive The People Goal – *EPA New England's Strategy for Human Capital*. The strategy uses measures of success and addresses accountability for prioritizing hiring needs, learning goals, promotion/awards systems, and diversity. Employees participate on committees and in climate assessment surveys, and stay informed through Region 1's intranet. Organizational Health Surveys are used to assess the strategy, and these results are presented to employees in The People Goal Report on Accomplishments.

Region 4

Region 4 appointed personnel to serve on a President's Management Agenda Taskforce. Members who demonstrate regional expertise in budget formulation, human resources, strategic planning and accountability, diversity, and program management have been asked to work full-time developing and designing a regional approach to address all five of the PMA initiatives, including incorporating human capital initiatives in regional business practices and processes.

Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

June 29, 2004

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: Response to Draft Audit Report: EPA Prepared to Implement Strategic Human Capital Management Activities But Challenges Remain

FROM: David J. O'Connor /s/
Acting Assistant Administrator and Acting Chief Human Capital Officer

TO: Melissa Heist
Assistant Inspector General for Audit

Thank you for the opportunity to provide comments on the draft report titled "EPA Prepared to Implement Strategic Human Capital Management Activities But Challenges Remain," Assignment No. 2003-000454. Overall, we concur with the Office of the Inspector General's (OIG) findings and recommendations contained in the report. Specifically, we recognize the need to establish and ensure accountability at all levels throughout the agency and effectively communicate human capital plans and strategies across the agency.

We are committed to implementing the U.S. Environmental Protection Agency's (EPA) strategy for human capital. Our commitment is most recently demonstrated by the establishment of the new Office of Human Resources (OHR), with a primary focus being EPA's Human Capital Strategy. We believe this organizational change will continue our efforts to improve the Agency's capability to focus on Strategic Human Capital Management and the President's Management Agenda (PMA).

In implementing the human capital portion of the PMA, we have achieved a green progress score seven out of eight quarters and have moved from a red to a yellow status score. Also, we have successfully delivered on our promise to provide the agency with a talented and highly skilled workforce by attracting and developing employees through EPA's Intern and Senior Executive Candidate programs. In addition, we continue to implement workforce planning and development strategies to provide offices with the information, programs and tools needed to ensure a highly skilled workforce for the future.

Building on the progress we have made to date, we will continue to work hard to ensure that employees have the skills needed to meet the Agency's mission and strategic goals. In the upcoming months, more focus will be placed on aligning human capital activities at both the local and national levels, and integrating strategies to ensure accountability.

To assist us in preparing our response, we followed up your transmittal of the draft audit to headquarters and regional offices with a memorandum from Rafael DeLeon, Director, Office of Human Resources, to the Assistant Administrators and Regional Administrators requesting their comments on the draft report. We have carefully considered all the comments and have incorporated them where appropriate into our response.

In the attachment, we have provided specific responses to the eight recommendations. This includes the Office of the Chief Financial Officer's (OCFO) response to recommendation number 2.8. We are also providing a general recommendation which proposes the establishment of a workgroup comprised of representatives from OIG, OCFO, and OARM to explore the most effective ways to implement the recommendations.

As requested, an electronic version of this response has been sent via e-mail to Alan Bogus. If you or your staff have any questions regarding our response, please contact Rafael DeLeon, Director, Office of Human Resources at 202-564-4606, or Richard Bashar, Deputy Office Director for National Human Capital Strategy at 202-564-3300.

Attachment

cc: Deputy Administrator
 Assistant Administrators
 General Counsel
 Inspector General
 Chief Financial Officer
 Regional Administrators
 Deputy General Counsel
 Deputy Inspector General
 Deputy Regional Administrators
 Assistant Regional Administrators
 OARM's Office of Human Resources Senior Managers
 Human Resources Council Members

OARM and OCFO Response to Draft Audit Report: EPA Prepared to Implement Strategic Human Capital Management Activities But Challenges Remain

2-1 OIG Recommendation:

Revise the guidance for the Senior Executive Service (SES) Performance Management System. As part of the performance appraisal process, each senior executive's self assessment should be required to have a separate document that addresses the PMA initiatives, including human capital. Also, evaluate the SES appraisals to determine whether senior executives are being held accountable for strategic human capital management and the other PMA initiatives, and report the results back to each office head.

OARM Response:

We concur with the intent of this recommendation. As your report notes, SES standards have already been revised to focus more on PMA initiatives. We believe revising current guidance for SES to address in their self-appraisals and senior offices to cover in performance discussions will better assure that accountability.

2-2 OIG Recommendation:

Include measures in the "Annual Plan" and "Annual Report" that reflect achievement of the Agency's human capital strategies in its *Strategy for Human Capital*.

OARM Response:

We concur with this recommendation. In fact, in the past, human capital performance measures were included in the agency's annual plan and annual report. The Office of Administration and Resources Management (OARM) will work with OCFO to develop and, once again, include measures where appropriate.

We also plan to take the necessary steps, working with OCFO, to request each office to include in their annual management integrity letter a section to address human capital efforts.

2-3 OIG Recommendation:

Revise the “EPA Human Capital Accountability Plan” and “Human Capital Action Plan” to hold offices accountable to implement the *Strategy for Human Capital*. The Plans should address the strategic human capital management activities to be implemented by each office, measure office human capital progress, and assign office responsibilities for implementing human capital activities.

OARM Response:

The Acting Chief Human Capital Officer strongly supports this concept and recommends that a senior agency official, in each region and program office, be accountable for their offices’ role in implementing the *Strategy for Human Capital*. OARM proposes the Human Resource Council members (or alternates) serve in this role as senior agency officials. Because the HRC is a national policy community the members will readily provide a linkage to human capital initiatives, further strengthen their current involvement level, and provide continuity in the human capital area. This role will include ensuring the Human Capital Accountability Plan and Human Capital Action Plan address the strategic management activities implemented by their offices and measure their progress. (Note this links to OIG’s recommendation 2-5 below.)

Regarding an implementation approach, we must acknowledge that consistency in implementation is desired but several offices have unique staffing requirements that may require various approaches to human capital management efforts.

2-4 OIG Recommendation:

Develop a “Scorecard” of office accountability in human capital implementation that aligns to the Agency’s *Strategy for Human Capital*; the “Scorecard” can be used to assess and guide office progress to accomplish the Strategy.

OARM Response:

We concur with the intent of this recommendation. OHR will use OIG’s proposed scorecard to establish a “Human Capital Checklist” (not a “scorecard” per se) for offices to self-assess their progress in implementing the Agency’s *Strategy for Human Capital*. Also, OHR will incorporate the use of the “Human Capital Checklist” in conjunction with the annual Merit Principle Accountability Assessments which are conducted for the Human Resources Offices.

2-5 OIG Recommendation:

Establish Senior Human Capital Officers in each office to ensure office accountability and reporting.

OARM Response:

We concur with this recommendation. (Note this links to OIG’s recommendation 2-3 above.)

2-6 OIG Recommendation:

Establish a pro-forma, office-specific Human Capital Communications-Marketing-Outreach “Plan” adaptable by each headquarters and regional office. The pro-forma plan should link to the Agency’s Communication Plan and support a coordinated and consistent communication of the Agency’s *Strategy for Human Capital* and implementation efforts. The pro-forma “Plan” should:

- identify individual responsibilities and expectations for communicating human capital issues;
- provide for a feedback mechanism to ensure employee understanding of strategic human capital management activities; and
- present various types of communication activities and related milestones.

OARM Response:

Although we concur with the intent of the recommendation, we believe that a marketing outreach plan could be incorporated into one of our existing human capital planning efforts and reports. OHR will review all existing plans and reports to determine where best to integrate a human capital marketing strategy. We want to assure that the plan provides enough flexibility to accommodate differences in offices across the agency.

2-7 OIG Recommendation:

Use the OIG Human Capital Questionnaire survey results in discussions with each office’s senior executives on the actions that need to be taken to align office activities with the Agency’s *Strategy for Human Capital*.

OARM Response:

We concur with this recommendation but the degree of office level alignment to the Agency’s *Strategy for Human Capital* varies. OHR will schedule meetings with key senior executives in each office (refer to response 2-3 above) to identify actions needed to place office activities in alignment with the Agency’s *Strategy for Human Capital*.

2-8 OIG Recommendation:

Integrate human capital management activities into the Agency’s budget process beginning with the fiscal 2006 budget cycle. Agency budget decisions need to consider justifications and analysis of strategic human capital needs. As part of this process, the Assistant Administrator for Administration and Resources Management should be given a “seat at the table,” such as at budget forum or budget planning meetings, to ensure human capital discussions occur and budget decisions are aligned to the Agency’s *Strategy for Human Capital*.

OCFO Response:

OCFO concurs completely with the recommendation that the Assistant Administrator (AA) for OARM participate fully in the Agency’s annual planning and budget meetings, and for this reason we have always included the AA/OARM with all other AAs and Regional Administrators—including the IG—in these meetings. In the strategic planning arena, EPA’s 2003 Strategic Plan addressed the strategic management of human capital in a cross-goal strategy as well as individual discussions of EPA’s human capital focus in each of the five strategic goals.

In addition, OCFO issued guidance in 2003 requesting that each Region develop a Regional Plan that described strategies for contributing to the achievement of the Agency’s strategic goals and objectives as well as for carrying out the Agency’s cross-goal strategies, including human capital. The Regional Plans, which were finalized in April 2004, included a discussion of regional human capital efforts, namely for workforce development and succession planning, but did not directly address resource implications. Nevertheless, the discussion of human capital priorities and approaches in the Agency’s Strategic Plan and Regional Plans provide a broad context for framing human capital issues in EPA’s annual planning and budgeting process.

OARM Response:

We concur with the intent of this recommendation. As a point of clarification, as also stated above in OCFO’s response, the AA/OARM already has a “seat at the table” at the budget forum and other senior-level budget discussions. To the extent these issues are not already addressed, we agree that human capital management activities can be integrated into the Agency’s budget process. OHR will continue to work with OCFO to further frame human capital issues in the annual planning and budgeting process for the next fiscal budget year cycle.

General OARM Recommendation:

Further, to maximize the work conducted by the OIG on agency human capital activities, we request your organization's participation in a workgroup comprised of members from OCFO, OARM, and other program and regional human capital practitioners. This workgroup, initially chaired by OHR's Deputy Director for National Human Capital Management, over the next 120 days will explore the most effective ways to implement the recommendations. Further, this workgroup could become "standing" for follow-up on planned actions. We believe this will be useful in accomplishing our objective to build on the extensive work OIG has done with your survey and audit, and the progress many offices and we have made to date. We look forward to your response regarding this concept.

Distribution

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