

**STATEMENT OF PAMELA S. MITCHELL**  
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**FOR HUMAN RESOURCES AND ADMINISTRATION**  
**DEPARTMENT OF VETERANS AFFAIRS (VA)**  
**BEFORE THE**  
**HOUSE OVERSIGHT AND GOVERNMENT REFORM COMMITTEE**  
**SUBCOMMITTEE ON NATIONAL SECURITY**  
**MARCH 1, 2017**

Good afternoon, Chairman DeSantis, Ranking Member Lynch, and Members of the Subcommittee. Thank you for the opportunity to discuss internal controls for use of Recruitment, Relocation, and Retention Incentives within the Department of Veterans Affairs (VA).

**Introduction**

VA requires talented employees, including highly trained health care professionals, to serve the needs of our Nation's Veterans. We are competing in tough labor markets for skilled personnel, both in the public and private sector. To remain competitive in recruiting and retaining the best personnel to serve our Veterans, we must rely on tools such as incentives to address staffing difficulties, and awards to recognize superior performance. Recruitment, Relocation, and Retention Incentives (3Rs) are important human resources tools designed to help agencies attract and retain employees, particularly when faced with serious hiring challenges. Incentives may only

be authorized when the hiring manager fully justifies the difficulty of filling a position with a highly qualified candidate or retaining an employee likely to leave without offering an incentive.

*A recruitment incentive* may be paid to an employee who is newly appointed to the Federal Government, if the agency has determined that a position is likely to be difficult to fill without the use of an incentive. VA requires hiring officials to carefully consider and fully document a number of factors before concluding that a recruitment incentive is required. For example, managers must consider whether candidates with the required competencies for similar positions have been successfully hired within the last six months; what salaries are usually paid outside the Federal Government for similar positions; what turnover has been for similar positions over the last six months; what special or unique competencies are needed; what attempts have been made to use non-pay incentives such as work schedule flexibilities; and whether the position is in a desirable geographic location.

*A relocation incentive* may be paid to a current employee who must relocate to a different geographic area to accept a position if the agency determines that the position will likely be difficult to fill in the absence of an incentive. A hiring manager must thoroughly consider the factors noted above in evaluating whether a relocation incentive is justified.

A *retention incentive* is an incentive an agency may pay to a current employee if the agency determines that the unusually high or unique qualifications of the employee, or a special need of the agency for the employee's services, makes it essential to retain the employee and the employee would be likely to leave the Federal service. The responsible manager must fully document why an employee would be likely to leave without an incentive. For example, the manager must consider the following: availability and quality of candidates in the labor market who have the competencies required for the position; successful efforts within the last six months to recruit and retain employees with similar competencies; special or unique competencies required; efforts to use non-pay authorities to retain the employee; or the extent to which the employee's departure would affect VA's ability to perform a mission critical function.

### **Inspector General Report**

The Office of Human Resources and Administration (OHRA) received a draft VA Office of Inspector General (OIG) report on July 5, 2016, titled *Audit of Recruitment, Relocation, and Retention Incentives*. The OIG used fiscal year (FY) 2014 data in conducting its audit, and found that the VA "needs to improve controls over its use of 3R incentives to ensure these pay authorities are strategically and prudently used to assist in the recruitment and retention of highly qualified employees in hard-to-fill positions."

The VA concurred with the 10 recommendations in the report:

**Recommendation 1:** OIG recommended that the Assistant Secretary for Human Resources and Administration review and update procedures and add internal controls for Administrations to ensure recruitment and relocation incentives are fully justified and authorized before being included on vacancy announcements for hard-to-fill positions or before the final selectee is identified in cases where a position is not filled through a vacancy announcement.

**Recommendation 2:** OIG recommended that the Assistant Secretary for Human Resources and Administration review and update procedures and add internal controls for the Corporate Senior Executive Management Office to ensure Senior Executive Service recruitment and relocation incentives are fully justified and authorized before being included on vacancy announcements for hard-to-fill positions or before the final selectee is identified in cases where a position is not filled through a vacancy announcement.

**Recommendation 3:** OIG recommended that the Assistant Secretary for Human Resources and Administration review and update procedures and add internal controls for Administrations to monitor compliance with its employee certification requirement before relocation incentives are authorized for payment.

**Recommendation 4:** OIG recommended that the Assistant Secretary for Human Resources and Administration review and update procedures and add internal controls to monitor the Corporate Senior Executive Management Office's

compliance with the employee certification requirement before Senior Executive Service relocation incentives are authorized for payment.

**Recommendation 5:** OIG recommended that the Assistant Secretary for Human Resources and Administration review and update procedures and add internal controls for Administrations to monitor facilities' compliance with developing workforce and succession plans to reduce the risk of long-term reliance on retention incentives.

**Recommendation 6:** OIG recommended that the Assistant Secretary for Human Resources and Administration review and update procedures and add internal controls to monitor the Corporate Senior Executive Management Office's compliance with developing workforce and succession plans to reduce the risk of long-term reliance on retention incentives for Senior Executives.

**Recommendation 7:** OIG recommended that the Assistant Secretary for Human Resources and Administration monitor the Corporate Senior Executive Management Office to ensure its technical review and recommendations to the VA Chief of Staff regarding Senior Executive Service incentives are prudent and in full compliance with the VA Handbook 5007/46.

**Recommendation 8:** OIG recommended that the Assistant Secretary for Human Resources and Administration assess the feasibility of limiting the

number of consecutive years employees in specific occupations, or groups of employees in specific occupations, can receive retention incentive payments.

**Recommendation 9:** OIG recommended that the Assistant Secretary for Human Resources and Administration review and update procedures and add internal controls for Administrations to monitor facilities' compliance with the VA Handbook 5007/46 requirements to initiate debt collection from individuals who did not fulfill their recruitment, relocation, or retention incentive service obligations.

**Recommendation 10:** OIG recommended that the Assistant Secretary for Human Resources and Administration examine the capabilities of the HR Smart personnel system to determine the extent to which it is possible to develop an incentive-specific automated alert that notifies Human Resources (HR) personnel when employees have outstanding recruitment, relocation, or retention incentive service obligations.

The VA OIG released its final report on the 3Rs on January 5, 2017, and closed recommendations 2, 4, and 8 based on actions already executed. VA continues to implement the remaining OIG recommendations:

**Recommendation 1:** VA published Human Resources Management Letter No. 05-16-03 on July 8, 2016, and expects the final policy to be incorporated

in the VA Handbook 5005, Staffing, by late summer 2017. This guidance prescribes procedures to be used when offering recruitment and relocation incentives and relocation expenses.

**Recommendation 3:** VA revised the VA Handbook 5007, Pay Administration, to require HR Offices to ensure an employee maintains proof of residency in the specific geographic location for the duration of the service period by requesting periodic proof of continued residency from the employee. HR Offices are already responsible for ensuring an employee has established a residence in the new geographic location before a relocation incentive payment is processed. We expect the updated policy to be published by late summer 2017.

**Recommendation 5:** The VA Handbook 5007, part VI, chapter 3, was significantly revised in April 2013. Part of this major revision required a narrative explanation of an organization's workforce and succession plan to eventually eliminate or reduce the need for retention incentives. We are updating the Handbook to enhance the certification process and template to include certification that each retention incentive included workforce and succession plans to reduce the risk of long term reliance on retention incentives. We expect the updated policy to be published by late summer 2017.

**Recommendation 6:** The VA compensation policy, which specifically addressed all of the 3Rs, was signed and implemented in September 2016. The Corporate Senior Executive Management Office is working across the Department to establish and validate competencies for all executives, which will become the foundation of the VA Talent Management System and will inform succession planning decisions.

**Recommendation 7:** The VA compensation policy for senior executives and equivalents, which specifically addressed the 3Rs, was signed and implemented in September 2016. VA has ensured greater accountability over its use of the 3R incentives for its executive cadre by conducting a thorough analysis of every incentive package pertaining to senior executives across the VA. The Corporate Senior Executive Management Office ensures that each incentive is fully justified and meets the stringent criteria outlined in the Code of Federal Regulations and VA policy, prior to recommending approval to the VA Chief of Staff.

**Recommendation 9:** The VA Handbook 5007, Pay Administration, was revised to require all requests for waivers due to breach of service obligations to be submitted, through channels, to the Assistant Secretary for Human Resources and Administration. Requests for waivers were previously routed to the original approval official. This change elevates all requests for waivers to a higher level and will require technical review in the VA Central Office.



Additionally, the VA Handbook 5007 will be revised to include an enhanced review process and template requiring certification that appropriate action has been taken to initiate debt collection, as appropriate. We expect the updated policy to be published by late summer 2017.

**Recommendation 10:** VA's shared service provider for HR Smart has provided us with cost estimates to update the system. We have received approval for funding to allow us to modify the system. Upon release of the funds, anticipated for later this year, we will move forward with this modification.

## **Conclusion**

Mr. Chairman, we take appropriate use of the 3Rs very seriously. As noted, we made improvements in managing these incentives before the VA OIG audit began, and continue to increase our ability to provide effective oversight of these essential compensation flexibilities. Unfortunately, the multi-year restrictions on employee awards and incentives that were enacted as part of the Comprehensive Addiction & Recovery Act of 2016 significantly inhibit our ability to use these tools as intended to help attract and retain employees when faced with serious hiring challenges. We ask that VA be afforded the opportunity to exercise budget flexibility in determining how best to apply our resources for desired outcomes. The Secretary of Veterans Affairs needs this flexibility if he is to transform VA. Without getting the right people and retaining

them, this will be a very difficult task. Thank you for the opportunity to testify before this subcommittee; I look forward to your questions.