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Office of the Secretary of Defense
Interview with Mary Lacey by Diane T. Putney
January 22, 2009

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According to standard procedure the interviewer verified and edited the transcript and sent it to the interviewee for review. The interviewee Mary Lacey was invited to make any changes as she saw fit. Mary Lacey did not edit or approve the transcript.

Diane Putney [Interviewer]: This is the second session with Mary Lacey, former Program Executive Officer for the National Security Personnel System. It is January 22, 2009, in Dahlgren, Virginia. The interviewer is Diane Putney. First question. The final NSPS Regulations were published in November 2005. The regulations, however, required implementing issuances. How was the writing effort

organized to produce the issuances, and who participated in actually writing the issuances?

Mary Lacey: The implementing issuances were written by selected members of the working groups that had been participating the previous summer as well as the folks that were on my staff that also assisted in laying out the regulations. nced course, to Leavenworth, and to Senior Service College. that we had to because changing regulations is much more difficult than changing internal implementing issuances. If we could put it in implementing issuances, we wanted to do

that. The same group of people continued to assist. The Services lent us some of their very talented people and experts in certain subject matter areas for the Human Resources part. That is how we did the Human Resources portion of it. A more dedicated team and a smaller group of individuals dealt with Labor Relations and Appeals. Labor Relations in particular is highly technical.

Diane Putney: What was your role in the continuing collaboration process with the unions? And how did that process differ from the meet-and-confer process?

Mary Lacey: Great question. For meet-and-confer, we provided them with our concepts and different options, and we asked them to comment. They wanted to negotiate and to bargain over things. They wanted us to give them the exact language we were going to use in the regulations and what we intended to put in the follow-on implementing issuances. What we did with the continuing collaboration process – because we were not going to bargain – was to send them copies of our draft implementing issuances and give them a certain number of days to comment on them and to tell us how they would change the wording and/or if they would change the wording and why.

The comments we received varied. Some of the unions gave us in-depth, thoughtful answers: "Here is exactly how I would

report it." Some of them just said, "I do not like it." But, the coalition tended to give us a big united response, but then even some of the member unions of coalitions decided to send their own comments in addition.

We did not do as much face-to-face in the continuing collaboration process as we did in the meet-and-confer. We did, however, offer them an opportunity to talk with us and to go through – you know we would give them the implementing issuances and tell them that we would have an information session with them to go through what we meant by them, how they were supposed to work together and that sort of thing.

I cannot remember one time that we suggested a date that they accepted it. It generally was, "We need more time. We need more time. We need more time. That is a bad day for us. That is a bad day for us."

And I remember one political appointee quipping at an OIPT meeting that when asked when a good day would be, someone – a union member said, "Never." Let's just say I did not find them particularly eager to attend meetings as quickly as possible.

Diane Putney: What was the origin of the inclusion of authority for Mandatory Removal Offenses, MROs, in the NSPS Regulations? How difficult was it to determine what unacceptable activity should be listed as a mandatory removal?

Mary Lacey: Quite frankly there was a lot of controversy about that. My understanding of the origin was that it was something that a gentleman in OPM was very high on. He thought it was a great idea in that particularly if you violated matters of national security it should be a Mandatory Removal Offense. And, "Look at the IRS. If you peeked at somebody's tax returns that was on that Removal Offense," and there were ten inviolate things.

There was another school of thought that said, "Every single one of the things that was suggested as a cause for mandatory removal we could do today. We could remove somebody already, so why do we need to make it mandatory?" So there were some folks that thought that it was a real poke in the eye to make it mandatory and that as good leaders and managers, if we did our jobs, which we should be accountable for, we would not remove those people anyway.

They were for things that are today and are punishable by jail sentences, for example, breaches of national security, treason. We send people to jail for treason. Of course we are not going to let them continue in government employment. You can tell how I feel about this. I do not think Mandatory Removal Offenses were necessary. It is my personal opinion. But, you know what, it did not matter what my personal opinion

was. My job was to ensure that the different opinions were vetted and heard and balanced against each other.

Diane Putney: So, did the OIPT discuss this and think it was a good idea that is why it got into the regulations?

Mary Lacey: Yes, in the OIPT there were enough people that felt that we ought to do it, and OPM felt strongly about it, and it ended up in the final regulations. And again, I sort of was neutral on it because there was nothing there that we could not remove somebody for anyway.

Diane Putney: Was it Mr. Nesterczuk or Mr. Ron Sanders who was advocating that?

Mary Lacey: Mr. Sanders.

Diane Putney: Sanders, okay.

Mary Lacey: Mr. Sanders was the advocate.

Diane Putney: I was thinking would not the list be unending? You could think of murder, you could think of all kinds of activity. It would just be unending to list -

Mary Lacey: Everything.

Diane Putney: - because then if something was not on the list and it was horrendous -

Mary Lacey: Well, and the argument was - could you have gotten yourself in the litigation box? The argument that some of the other agencies that had used this technique was that it

was – it sent a very loud and strong message of what are some of the most core principles of the organization.

So, with IRS, as an example, it was this fiduciary integrity and we feel so strongly about it that things that would not necessarily be punishable otherwise by law were Mandatory Removal Offenses. So, when we started down that path of trying to think, "What would be a Mandatory Removal Offense that is so egregious against the core values of the Department of Defense," many of the folks were like, "Hey, it's – they are already punishable by law." In our case because they are a matter of national security, as opposed to just economic security, which is what the IRS uses. That is why, I think, it was such a box. There was not a good answer.

Diane Putney: Did you get very far along in developing a list?

Mary Lacey: We did.

Diane Putney: Well, and is there a list now?

Mary Lacey: There probably is. If you go into Brad Bunn's office, if he still has the bookcases there, one of the things that I kept were the slides and paper that were handed out at every single OIPT meeting. And so, given the dates – I believe that would have been the fall of 2005, August/September/October time frame – it is probably listed right in there, and you could go review it.

Diane Putney: But it seems like it was never publicized, and the employees do not know about it.

Mary Lacey: It is because we just allowed ourselves the ability to do it – and then, that was subsequently lost when the NDAA 08 came out and basically said, "Adverse action on appeals is no."

Diane Putney: Okay. It became a moot issue after that.

Mary Lacey: Yes.

Diane Putney: What was the NSPS training strategy? How was the training funded?

Mary Lacey: At the macro level, my strategy was that I would develop core content on the PEO's nickel and that would be handed off to the Components to deploy. So, it was sort of a global development, but it was local deployment and implementation because training is a local phenomena. It is a contact sport.

Diane Putney: Yes.

Mary Lacey: We developed a couple different "platforms," we called them methods of delivery.

Diane Putney: Okay.

Mary Lacey: For some of the very, very, very basic fundamental training, we developed some Web-based tools – Web-based content. Now you could actually use – you could hand that to an instructor who could stand up in front of an audience and

could walk people through it. But, we also set it up so that you could actually sit at it and do a self-based Web training on it.

We told the Components if they wanted to add their own Component unique stuff to acculturize it so that it was – you know, if it was Navy blue and Army Green that – to please have at it and, in fact, some of the Components did that. In some cases, all they did was take our logo off and put their logo on.

Diane Putney: Yes, right.

Mary Lacey: Or changed the ink color from blue to green, you know, those kinds of things. So there was fundamental training that everybody took.

In addition to that, we had some other training which we felt was important that had to be delivered in person. What we call classroom training or flex kind of training and, again, we developed the core material, the Components sometimes augmented it.

They delivered the large volumes of it. We did Train-the-Trainer sessions, so we hired the people who were professional trainers, teachers, but had expertise in Human Resources – so kind of understood this business, to teach the classes. And these classes – generally the Train-the-Trainer sessions were around 200 folks, so we would have a lot of different teachers

there. They would break them up into smaller sessions and teach them how to teach the material.

We even had a position description for the trainers, which said, "Here are the skills that you have to have in order to be sufficiently qualified to teach this material." And we had tryouts. For the trainers we used and the PEO delivered training, we had tryouts. We brought the trainers in and put them through their basics.

Diane Putney: It was voluntary – people volunteered to be trainers – to get the training, then turn around and train their colleagues –

Mary Lacey: Yes, we wanted, wherever possible, we were hoping that people would see a trainer that they knew; that this was somebody from their organization. So, we trained a lot of people, and they went back to the home commands to train folks.

Army did this thing called "Team Training," but Army has a fairly large in-house training capability – delivered training. Navy really does not have that, and Air Force is in between. And so, they all had to deliver it slightly differently based on the resources they had and sort of a curve – you know the philosophy of how the organization trained and for the states all over the place.

Diane Putney: Yes.

Mary Lacey: You find all different kinds of varieties.

Diane Putney: Was it an inexpensive way to do it?

Congress did not give NSPS – did not give you any money for training or did it set aside –

Mary Lacey: No, Congress did not give us a dime. That was a conscious decision, and we did not ask for any. The Department of Defense made a decision different than what Homeland Security did on funding.

Homeland Security actually identified the money to develop their personnel systems in their budget. Made it a line item program element, so made it highly visible to Congress to whack. The Department of Defense, on the other hand, said, "We think this is so sufficiently important that we are going to fund it out of our current budgets. We are going to fund it out of the money that we currently use to pay and train our people."

Every year we train people all the time. We train – that is something we actually do really well, all in all, in the Department of Defense. This is the core mission on the military side, for goodness sakes.

And so we said, "We are going to train people 30 to 40 hours or more a year anyway, so we will make this the priority for the deployment year and then the follow on. This will be a part of it just like we are going to train them on safety, or

security, or whatever." Your personnel system and how you treat people is as important, if not more important, than some of those other things.

Diane Putney: Do you think it – there was enough money that the commands and the services did given NSPS –

Mary Lacey: There could have been enough money. There were some commands that just decided to not spend it. They did not make it a high enough priority and that was their choice.

Every organization has overhead and you have choices. You do have quite a bit of choice on how you spend your overhead. And so, in my opinion, it is a reflection of leadership if they did not put enough resources on that.

Diane Putney: And do you think people were adequately trained?

Mary Lacey: I will tell you there were places where they were not. There is no question in my mind. And there are other places where they really did a good job, but there are some that, no, they were not.

Diane Putney: Because it was decentralized in certain –

Mary Lacey: No, it was not so much – well, yes, – organizations came to the table as they were. Some organizations were much more mature in their culture around performance management and people management. Some of the organizations, for example, had been in an Alternative

Personnel System for as long as, in one case, 25 years, so some of the basic concepts were not foreign to them. Other organizations had used their Performance Management System to differentiate performance for years and years and years. Two of the services had pass/fail systems, so were not doing any real differentiation at all.

Given that everybody was in a different place, there was no magic answer. I could not have just said, "Everybody do this." And there also was not a magic test I could come up with that would have done a self assessment on where are you on all these dimensions and here are all the things you need to do.

I was only tasked with providing the content training. Some of the other training that people needed or skills development that they needed, the service folks were responsible for ensuring that. For example, generic skills training: How do you talk to people? How do you listen appreciatively to people, how do you sort through - ? I mean, seriously - With supervisors, we get training on how to sort through the emotion and have the frank conversations with people when they are just getting more and more upset; how do you diffuse it? Those are things that I did not feel that it was the responsibility of the Program Office to conduct that training or provide that training. That is a management

responsibility within any organization. It is part of training your managers. And quite frankly, across this great, great United States Department of Defense not all organizations do it really well. Some of them are spectacular at it, but others could use some remedial training.

Diane Putney: What about Spiral 1?

Mary Lacey: Yes, Spiral 1.1 –

Diane Putney: That was coming up quickly and –

Mary Lacey: It was and these were – those were volunteer organizations not – and the 11 organizations that were in 1.1 wanted to be there, were leaning forward saying, "We believe in this. It is a good idea." And we had very strong senior champions at the SES and flag, general-officer level, and they were driving it and ingratiating their senior leadership.

So, there was lots of communication and, of course, many of their senior leaders, not just a onesie, twosies for each of those organizations, but many of their senior leaders were in some of our early training classes and were involved in giving us a lot of critique on the training as it was developed.

Diane Putney: Those early ones?

Mary Lacey: Yes.

Diane Putney: What was your strategy for designing an NSPS system for employees in the Federal Wage Grade system? Were there major differences in how you were designing NSPS for

the Wage Grade employees compared with the system designed for the General Schedule employees?

Mary Lacey: We knew we had to go do something a little differently because the pay bands did not fit them and the way their pay is determined was different than the rest of the Federal sector. And in effect the Department of Defense does what is called the "Salary Surveys" for the Wage Grade employees and for the entire government. And other agencies, then, follow – they adopt it – OPM adopts our surveys, so we set the pay in the first place. We also have more than two-thirds of the Wage Grade in the government. So, we knew we had to do something different because the patterns of their wages were different and, in fact, their wages are based essentially on locality pay and regular pay in one lump. So, if you are paid at – there was not this all U.S. rate and then you have a locality pay that depends on it.

Diane Putney: Yes.

Mary Lacey: It goes by geographic area, and I think there are 132 of them – 132 specific market areas. So, we knew we had to go look at it. And we got together a group of people that really were more expert in Wage Grade. Not every DoD organization even has Wage Grade.

Diane Putney: Yes, right.

Mary Lacey: And so, we got the pay experts, and we got line managers that had large numbers of Wage Grades in their organization together. It was just like those other design teams, and we gave them some subject matter experts and line managers from that. And we looked at what some of the options are, and, quite frankly, on the pay side, we could not come up with a good one that would really work because of the pay – the dichotomies in the pay levels because of the prevailing rates in various markets.

Diane Putney: Yes.

Mary Lacey: So were about ready to recommend to do just nothing on the pay side but on the performance management side, in terms of good solid performance management, there were things you could do, at least for the bonus piece of it.

And in fact, one of the Navy shipyards went ahead and bargained with their Wage Grade employees some of the provisions that were in NSPS writ large for differentiating when it came time to giving bonuses. So, why would you give somebody more bonus than somebody else, you know?

Diane Putney: Yes.

Mary Lacey: And so what are the various characteristics. So, I do not know if they ever actually implemented it, but I know they were in the process in bargaining it. So, on the performance management side, there were things that you could

do. And we had a team that worked for about a year, off and on, on what the various options – those notebooks are also up in my old office – and we looked at what are the set of possibilities so, again lots and lots of different alternatives. Sometimes one outruled – precluded the different one, but it all became a moot point because the NDAA 08 kicked in and said, "Forget Wage Grade."

Diane Putney: You had not gotten to the point where you did bring any – ?

Mary Lacey: We had told the unions we were going to kick that down the road because it is really, really hard. And we were going to start looking at options, but I had pretty much come to the conclusion that on the pay side, it was just way too hard and that the gain was not there.

The other thing is that you had something like 90 some odd percent of your Wage Grades are already at the top of their grade anyway, and we also had quite a number of places that were in the process of upgrading their Wage Grade jobs, if you will, because they needed people that were multi-skilled. And basically what they did is that these people became so talented, they moved themselves up into the GS ranks because they got so good and gave them so much more depth and, as a result, responsibilities. And so they grew out of their jobs anyhow.

Diane Putney: That is an interesting story in itself. Was there a PEO/DoD/Department of Justice strategy for winning the lawsuit AFGE v. Rumsfeld? Did you have a strategy, and were you influenced by what happened at Homeland Security?

Mary Lacey: Oh, absolutely, yes. And our lawyers and the OPM lawyers and the Department of Justice lawyers did a lot of talking and it got very, very technical very, very fast. And I really think Helen Sullivan and Carolyn Howell could give you a far better treatment of that because there were some incredibly nuanced legal peculiarities in that thing. And a lot of this pivoted around whether a phrase was referring to one clause or another clause. I mean, this was arcane.

Diane Putney: Yes.

Mary Lacey: So, the lawyers went to tremendous depths in that arena. They did their best to translate it into English sometimes. [*laughter*]

Diane Putney: Yes.

Mary Lacey: But, yes, that was very closely – I mean, and they – Tim Curry was heavily involved in discussions with the lawyers and, in some cases, pushback – to push and test what this meant.

Diane Putney: And there were OPM lawyers, too?

Mary Lacey: Absolutely. Yes, Steve Abell was heavily involved from the OPM side. He – and then Kerry McTigue, later

on he became the head attorney and his – interesting enough, his background was litigation, but not necessarily personal law litigation. But, he was a litigator. He liked to litigate.

Diane Putney: Before July 2007, the Program Executive Office estimated that the implementation of NSPS would cost about \$158 million.

Mary Lacey: Correct.

Diane Putney: In a report in July 2007, the Government Accountability Office stated that the \$158 million figure was too low. When you left the PEO position to move to your current position, was there still disagreement or agreement by then between GAO and the PEO about cost?

Mary Lacey: I believe there is still disagreement. Now, let me follow this on a little bit. We also revised our cost estimates just because the original cost estimate did not include or anticipate delays caused by the court cases and/or delays caused by additional legislation. All right. So, by the time GAO first started coming to look at us, we had already been impacted by the court case. We got sued instantaneously.

Diane Putney: Yes.

Mary Lacey: I mean, we got sued within a couple days of the regs being published.

Diane Putney: Yes.

Mary Lacey: We were immediately impacted by delays, which was going to increase cost, and so we had that going on.

We also had a disagreement with the General Accounting Office on how you account for cost. Because we did not put all of this into a line item that was easily traceable and trackable, and we said, "Hey, people are doing this as part of their day jobs. People are supervisors anyway. They do performance evaluations anyway. Instead of doing a green performance evaluation, they are going to do a NSPS blue evaluation." GAO wanted us to count the cost of doing things that they would have done anyway. We fundamentally disagreed.

I felt strongly that we should only have to account for the differential cost. What was the additional cost? So, for example, the cost to do the development of the training material and/or for the Army, or the Navy, or the Air Force, or the 4th State to do their version of the material. And for people that were dedicated as working in their Program Offices absolutely should count them because that was a cost that you would not have incurred.

Diane Putney: Yes.

Mary Lacey: But in terms of an employee or a line manager actually sitting down and having a discussion around the performance appraisal, absolutely not. They should be doing that anyway.

Now, you could argue that they were not doing it, but they are supposed to be. We allocate money in the budgets for them to be doing that. That is expected. They are supposed to do it. If they are not doing it, they are not doing their job. I did not feel that that time should be counted. GAO did, and we had a disagreement on that.

We never did see eye-to-eye and if you take a look at that one report, I signed back to them that I did not agree.

Diane Putney: Right.

Mary Lacey: Now I did do something. I did reconvene a working group of all these financial managers to at least get the services to count – when they did count, in terms of the dollars they spend – at least get them counting the same things.

Diane Putney: Yes.

Mary Lacey: We had some counting Euros. We had others counting Yen. Some of them were not counting time. Some of them were saying, "Well, if you spend more than 50 percent of your time working on NSPS then, you count all your hours." And others were like, "Well, no, you just count the hours you actually work."

Diane Putney: Right, yes.

Mary Lacey: And others were saying: "No, no, no. If you are in personnel, we do not count you at all." We got them

together and developed unifying definitions, made sure that everybody understood them, and got them all set in their financial tracking system.

Diane Putney: Yes.

Mary Lacey: Some way that they would all collect the information uniformly. So, we went that far. But, we still disagreed with GAO on what they wanted us to tally up.

Diane Putney: And they cannot force you. You did not have to come up with a figure based on their criteria.

Mary Lacey: No, we did not. No, we did not. I mean, there are some basic principles that OMB asks you about how you do cost estimate for regulations purposes. With most regulations you have to do a cost impact and follow certain general accounting principles in doing that, but we had good reason for doing it the way we did it.

Diane Putney: Right.

Mary Lacey: And again it goes back to the fundamental philosophy that the Department took when they said, "We are going to go do this." And they said, "This is something we should be doing day in and day out, managing our people, managing performance. It should be a regular cost of doing business."

Diane Putney: And that follows from what you just said about training that the Department does training and it is just going to be part of the training budget.

Mary Lacey: Right.

Diane Putney: It would be spent anyway.

Mary Lacey: Right.

Diane Putney: What kind of evaluation and assessment did the NSPS Program Executive Office design and carry out to determine if the NSPS implementation was meeting its goals and what were the obstacles to doing a valid evaluation?

Mary Lacey: There were a lot of different perspectives from which you can look at things.

Janice Lander in the Program Executive Office was really the lead on that and the whole concept of evaluating personnel systems is an art form. And there is a cadre – pockets of people buried in DoD that do that. And in fact, the Army has probably the largest organization and the most robust program. And you could argue that it is not what it used to be, but still is a lot more than some of the other services have. Janice actually came from that community.

Diane Putney: OPM.

Mary Lacey: So, she did quite a number of things, and she is much more eloquent about it than I am. But, there are certain things that are just data, factoids: How many people?

What is their demographics? What is their age? What is their salary, and their promotion rights? So, there is a lot of statistical kinds of things much of which can be gathered from the database that the Department maintains on personnel, what is called the DCPDS, Defense Civilian Personnel Database System. It is all the stuff about you that is on your Form 50 -

Diane Putney: Yes.

Mary Lacey: You know, where do you live, and how much do you make, and what year is it, and when were you promoted and all that kind of stuff.

Diane Putney: Is this in CPMS?

Mary Lacey: CPMS has the data, yes. They maintain that whole database and all the services input to it, and Janice has access to it. So, there is a lot of data that she could extract based on good principles and what do you go look at, what do you analyze and some of that - it takes time to develop meaningful data because one data point does not necessarily tell you anything. You know, which some of these things you want to take a look at: Is there a trend here? Is it going up? Is it improving or is it getting worse? Is there some other event that is causing certain things to happen?

If two events happen simultaneously, how do you reliably know which caused the other? Say an organization converted to NSPS and, at the same time, did an announcement, "Oh, by the

way, you are being BRAC'd 6,000 miles away." And then it saw a very high turnover rate.

Diane Putney: Oh, yes.

Mary Lacey: - I am not necessarily sure that I could - just based on that data point - tell you whether it was NSPS or whether it was BRAC that was the driver. So, there are a certain amount of fact-based analysis that needs to get brought to bear. And you need to know what else is going on in an organization because this is just one of many, many factors in an organization at an important time. And that is what these evaluation specialists did.

They also go out and do surveys. And we chose to embed questions in the survey that the Department does every year anyway - or every six months. It used to be every six months. I think they are moving it to every year.

They call it the Status of Forces Survey. Years ago, that used to just be given to military members. And a number of years ago, they started adding additional questions to that tool and surveying civilian members - civilian employees as well.

What we did was to embed additional questions because that then gave us additional - a little bit more insight and depth because we had some history on these - on this population in the aggregate level. And they worked very closely with us - it

was DMDC, Defense Management Data Center – they actually worked very closely with us to oversample the NSPS population when we first introduced NSPS. Remember, with such a small portion of the population we wanted to get more information. And so, they cooperated with us to do that. It was very helpful. And so, I guess now they have got about three or four survey results so that they are starting to see –

Diane Putney: trends.

Mary Lacey: I think, is starting to see some trends.

And then, there were two other major mechanisms that we at the Program Executive Office use. We went out and did site surveys. We picked organizations that had different kind of character – you know, we would see a medical organization, and an R&D organization, and an industrial kind of an organization, and literally went in and did interviews, looked at their material just like GAO would do if they audit something. So, we did it and then on top of that GAO thought, "What a great idea." GAO did it too, and in some cases it was the same organizations. Other cases it was not.

But, in particular, we went out and looked at the – again, we went out right away and looked at the 1.1 organizations because some of this information you need to capture in the instant. You cannot say, "Oh, five years from now I will go try

and reconstruct it." Very much like why I insisted on doing the history.

Diane Putney: But there also, 1.1 and before you did 1.2 and 1.3 there could have something right away –

Mary Lacey: There could have been some lessons learned.

In addition to that – this was more assessment as opposed to what I would call formal evaluation – in order to do that feedback – I mean, Janice did things from the very formal HR perspective and the rigor and what are you looking for in the indicators and all that kind of stuff with the HR professionals. And they did focus groups with some managers and got feedback from managers.

If there was a serious issue, she would tell me about it, okay, but this was not, "Gotcha! Put organizations on report." But, if she happened to see – and she operates somewhat independently of me, even though she was in my office – I gave her that flexibility. I wanted her to have it. She was sort of like my own IG, even though I did not have an IG. But, I wanted her to tell me that, "Hey, you got no clothes on. You got a problem in this area. You need to go pay attention to it."

Diane Putney: Okay.

Mary Lacey: I also did some – you might call them sound-bite assessments in that I called in the senior leadership of all the Spiral 1.1 organizations three times and, in turn,

after they had deployed to get lessons learned and to get their feedback and get their concerns. And we used that to tweak some of our training material as well as some of our communication material – how we explained things. They told us what worked well, what they really needed, and so we cranked that in for improvements in Spiral 1.2.

And then, last but not least, I told the OIPT they needed to do an independent assessment and tell Secretary England. Because remember there originally was a clause in the law that said that the Secretary has to make a determination that the system is fair and credible and all these other things before you can put more than 300,000 employees – you know, people in it. And so, I told the OIPT they needed to do that assessment of the system and independently advise the Secretary. And they said, "Sure, Mary. Go do it for us. [laughter] You know, go make it happen."

Mr. Abell asked the Army, which has the most robust capability, to go do that. I gave them some money to pay the cost because it was certainly not something the Army had preprogrammed to do. And we assisted only to the extent that we made sure that they understood how the system was supposed to work and what – so that they were interpreting our implementing issuances and regulations the same we were and the same way OPM was.

They came in did the same thing. They visited places and it actually got to be a little bit of a joke with some of my friends that I had made in the 1.1 organizations.

Diane Putney: Yes, yes.

Mary Lacey: "Mary," they said, "great to hear from you. Do not come visit." [laughter] Or, "Do not send anybody else to visit."

Diane Putney: When did the OIPT do their own assessment?

Mary Lacey: It took quite a while just because there was not a lot of people available to do this. And I am guessing that we finished it up about a year and a half ago. So, it was like the 1.1, 1.2 organizations were – Janice could give you the exact dates.

Diane Putney: They did not find any showstoppers or anything. It was mostly things that needed to be tweaked?

Mary Lacey: Yes, and adding – and much of it was the same kinds of things that GAO found, and we found ourselves. Hey, and you know what, if you think about it for a few microseconds, they are pretty obvious. Not everybody likes it.

Some people said they needed more training. Some people are concerned that maybe their manager is not fair. I mean, it is the same things about this. And so, there were not any real surprises. There were not any showstoppers. And interestingly enough, almost everything was exact same stuff that I remember

reading ten years ago when my organization made the transformation into a pay-banded system; same thing.

There are some universal truths, so people have not fundamentally changed their behavior. Government employees have not fundamentally changed their approach or their beliefs around compensation, so –

Diane Putney: Okay. Added to all this evaluation activity going on, the OPM, Office of Personnel Management, wanted to evaluate and assess –

Mary Lacey: Oh, yes, their independent evaluation, yes.

Diane Putney: – so what were the obstacles to doing a valid OPM evaluation? And did you agree with the OPM methodology and conclusions?

Mary Lacey: I had some disagreement with the OPM methodology in their descriptors. What they were trying to do is to come up with a framework that would work for every agency or as generic as you possibly could and – which was very noble and very hard to do because agencies are so different.

And it gets back to something I think I said the last time you were here: quantity matters. Quantity induces a quality of its own, and what works in terms of things that you look into a very monolithic agency with only 3,000 people in it or an agency that has 780,000 civilians located all over the place with 3,000 different missions. It is very different. Coming up

with a single set of yardsticks that could be used was very, very difficult. In the end, I think they did a very good job.

We worked with them quite closely and gave them a lot of feedback on what we thought. I thought their teams actually – while it was frustrating sometimes in the end.

[End of file: Lacey 22 Jan 09 Tape 2 Side A.mp3]

[Start of file: Lacey 22 Jan 09 Tape 2 Side B.mp3]

Diane Putney: Okay. We were talking about the OPM evaluation.

Mary Lacey: Yes. So, in the end, I thought they ended up in a pretty good spot, and I guess there were eight different dimensions that they were looking at.

Diane Putney: The Dashboard is displayed and it is all–

Mary Lacey: The Dashboard. Yes and there were some nuances in there that if it was us, we probably would have chosen some different words, but they were not showstoppers. And for most agencies they were probably pretty meaningful, so I was not – it was not worth arguing.

I was not particularly pleased that they knew what our timelines were. They absolutely, no kidding, knew what our timelines were. They knew our payouts were not final until January, and they wanted us to produce the data on the final payouts in November. Now that was just stuck in stupid and some

of their midlevel managers were saying, "Well, we have to have it in November because we have to report by such and such a deadline to our Director."

And I said, "Okay. Tell you what, in November you tell your Director that I did not provide you any data. Be my guest. Your Director knows I will not have any data until January. It is what it is."

And that was irritating for my staff to have to go through that explanation continuously to people who did not want to hear what the answer was. They wanted us to operate on their timeline. It is crazy. That was frustrating.

They also did not evaluate us on certain things. At first they were going to. They were going to evaluate us and say that we were not compliant. Well, of course, we were not compliant because we had not deployed those parts of the system yet. So they were evaluating us on our Labor Relations and Appeals. And I said "How can you evaluate on our implementation of our Labor Relations and Appeal System when we have not implemented them yet?" There was some circular logic that came into play, but we got through it.

Diane Putney: Yes. Right.

Mary Lacey: I mean, overall -

Diane Putney: All in all the report was available and it was pretty good, you know?

Mary Lacey: It was pretty good, and I thought it set a decent baseline and I hope over the years they will periodically revisit it. I firmly believe that the philosophy – in the community I am now involved with, the AEGIS community – there's a saying: "Build a little. Test a little. Learn a lot." I firmly believe that. In my personal culture as a scientist, you earn a whole lot from doing things.

And I knew we were going to learn a whole lot by deploying NSPS. If we waited until we were sure we knew what all the answers were going to be, we never would have learned a thing. So that is one of the reasons I was so insistent on continuous evaluation, and I started evaluation before I started deployment. We were already evaluating before we had converted a single person into NSPS.

Diane Putney: What were you evaluating?

Mary Lacey: Well, we were starting to gather statistical data.

Diane Putney: So, okay, make sure you have the data.

Mary Lacey: So we could have the before-view of the world. We were looking at all of the other Alternative Personnel Systems in the federal government to assess them on what they had learned, what worked, what did not work, and why.

Diane Putney: And why?

Mary Lacey: So that we could learn some of those lessons from them. So that we were comfortable that whatever evaluation process we put in place was sufficiently robust, that it would capture the important things. So much of it you only get one chance at the data. You get it in that instant, and then it is gone.

Diane Putney: Data is so important for a system like this. You really need good input. You need it coming in. And then there could be problems in evaluating it and then analyzing it, as you said, not taking it in context of what is really going on out in the field. You need the data points, but you have to have a good collection system, and people have to know what you need too. You have to define what you need to put into the system.

Mary Lacey: Yes.

Diane Putney: So, Janice would be doing that early on.

Mary Lacey: Yes, she was doing that early on. In fact, we had a number people help her over the years, and I actually found her a mathematician at one point, an Air Force officer – who actually taught at the Air Force Academy, who came and helped for awhile and found some subject matter experts in various places.

And she has someone on her staff, Don Martin, who is actually a scientific statistics guy, which is very, very good

because now that Janice has designed all these evaluation things, she has now gathered so much data, has all these huge, huge data sets and how do you look at things against multiple dimensions. Don Martin, who is working for her, is really good at that.

Diane Putney: The next few questions are just some follow-on questions from our last session and then we will go into some concluding ones.

Mary Lacey: Okay.

Diane Putney: How did it come about – what was the little narrative with your taking the opportunity of asking Senator George Voinovich to allow the laboratories and the demonstration projects the option of moving into the NSPS system. How did that come about that you had occasion to ask him?

Mary Lacey: Okay. Well, Secretary England and I were going to go – it was – he wanted to go pay visits to some of the key members on the Hill. And there was a lot of noise that the labs will still pushing there – over on the Hill – still pushing to get themselves permanently exempted. Senator Voinovich was one that was very sympathetic to the laboratories. Of course, the Air Force's largest laboratory is in his –

Diane Putney: Is Wright-Pat isn't it?

Mary Lacey: Yes, Wright-Pat. It is right in the state. And so, he is very, very sensitive, and they had a demonstration system. So – and quite frankly there was another – a number of laboratory directors that had been lobbying and some other senior folks.

In my previous job, I had been one of those laboratory directors, and, I think I said this, one of the things I did was I designed NSPS with a lot of things that were in the lab demo. And Secretary England knew I was a lab director before. Senator Voinovich knew I was a lab director before and – so – and I actually called some of the lab directors who told me that they were interested in coming to NSPS. In particular the two – the lab I used to run and another lab were very interested in coming into NSPS.

And I got permission from the lab directors and the Admiral to convey to Senator Voinovich, given the opportunity, that they would like the opportunity to make the choice of coming in. And so, when Secretary England and I went to pay a courtesy call on Senator Voinovich, we made sure that we brought the subject up.

We did not have to worry about it. Voinovich was always going to talk about labs. Whenever he saw us, Secretary England and I, he was going to talk about labs, so you knew it was going to come up. And he did not want us to hurt the labs and

there was a lot of people that were whispering in his ears,
"Oh, NSPS is going to be the death of the laboratories."

Diane Putney: So then you just brought it up.

Mary Lacey: Yes.

Diane Putney: Yes.

Mary Lacey: You know what it was? Let them come in if they want. Let them choose. And his response – reaction to that was, "Well, I am not comfortable that all of the DoD organizations would actually let them choose. They might say that they were given a choice."

Diane Putney: Now, what time frame is this? Is this 2004 or –

Mary Lacey: Every year –

Diane Putney: – okay.

Mary Lacey: [*laughter*] Every year there was something in the NDAA that had something to do with laboratories and personnel because the laboratory community was always over on the Hill to garner favors and special treatment. I know that. I have been there. I have done that.

Diane Putney: Right.

Mary Lacey: And any lab director that tells you that they have not is probably lying.

Diane Putney: Well, the directors wield a lot of power.

Mary Lacey: We did. We did. We hired a lot of employees, trained and developed a lot of scientists and engineers. I mean, heck, the laboratory I had had almost half of the scientists and engineers in the Department of Navy in it.

Diane Putney: Yes.

Mary Lacey: I mean, it is at – it was unbelievable – and they tended to be very highly educated, highly paid workforce. Many of the labs are located in very remote places, so they get a lot of constituents, a large political constituency. They are economic drivers in communities and that sort of thing.

Diane Putney: One way to keep members of Congress informed about what is going on with NSPS is to keep the Congressional staff members informed.

Mary Lacey: Absolutely. Yes.

Diane Putney: How did you go about keeping staff informed? Do you pick up the phone and call them, or do you visit, or do they come visit you, or –

Mary Lacey: Well, we would take –

Diane Putney: There is no handbook.

Mary Lacey: There is not a handbook. I had someone on my staff, Joyce Frank, who was Director of Congressional and Public Affairs. And so, she developed relationships. She had worked on the Hill previously in her life and had also worked in Legislative Affairs and had worked on BRAC, so she knew the

ropes and knew her way around and worked very closely with OSD Legislative Affairs.

But with certain key members, either professional staff or committee staff, we went out of our way to develop relationships with because their members really were the key ones affiliated with this. It was Warner's staff and Voinovich's staff and Rosemary Collyer's staff, and Akaka's and Levin's and – you know so the key members – and we got to know their staff that handled this part of their portfolio. Joyce could rattle off all their names. I am starting to forget some of them even now, but on the Senate side the two that we dealt with the most were Diana Tabler and Peter Levine. Peter is a lawyer. Diana is – they were part of the Personnel Subcommittee – Personnel and Readiness Subcommittee of the SASC, and Diana has actually worked in DoD in the past. She was a Deputy Under Secretary of Defense at some point in P&R. So, I mean, she knew us pretty well. And she is on the Republican side and then Peter was on the Democratic side. And he had originally come to the SASC under the tutelage of Senator Levin. He is a lawyer; very, very sharp man and so we talk.

I made it a habit of – if it was really big news, if we were really going to be doing something, to call them ahead of time to give them a head's up. I would call them – you know, I

knew sometimes they call – immediately picked up the phone and called the union. Sometimes they did not.

So, I had to be careful because I did not want to get too far ahead of my boss if he was going to be announcing it to the paper, but I did not want them surprised because their members would turn to them because the newspapers are going to turn to their members. A lot of what this is all about was making sure nobody was really terribly surprised, and there was an honor code. I was telling them, "Hey, we are not going to announce this until tomorrow."

Diane Putney: Yes.

Mary Lacey: "I really need you . . ." – and, you know, they would not run to the newspapers. They generally would not go running to the unions, but they would make sure that their boss knew what was going on so that their boss could properly react. It is very genteel how this works. It truly is.

And actually it is the same with the reporters. There were some reporters that I actually trusted. I developed a pretty good relationship and I would give them a head's up. Steve Barr, *Washington Post*, was an honor bright guy. He would verify rather than just make up. He would actually get the facts. And there were others that I did not trust so much, but with Steve, he would listen. And believe me, he was not a lackey. He did not just take our opinion. He presented both sides. But, you

know, I could trust him if he said he was not going to break the story for another day, he would not break the story for another day.

Diane Putney: He knew if he wanted to keep –

Mary Lacey: They know, yes.

Diane Putney: Secretary England was the Senior Executive for NSPS who asked you to keep him informed and to use your judgment about requesting his direct assistance when asked as needed. And you did once ask him to make some phone calls to Capitol Hill while a Congressional vote was underway.

Mary Lacey: Yes.

Diane Putney: Do you remember what year that was, and what was the NSPS issue that you needed to involve –

Mary Lacey: That was the first year and it was in the – it was when they were voting on the NDAA for – that would be have been the '05 – and there was an amendment that was coming from the floor, and it was actually from Representative Inslee and Van Hollen that essentially were trying to insert what would effectively repeal many of the provisions of NSPS. And it was gaining some momentum. We were afraid it was going to end up in the House version. And so, he made some phone calls and got it defeated.

Diane Putney: And what year –

Mary Lacey: I am pretty sure that was the fall of 2004. I started there right in June of 2004. I believe it was that fall. Joyce or Brad could confirm that.

Diane Putney: Okay. CPMS is in the chain of command of the DoD Under Secretary of Defense for Personnel and Readiness. CPMS designed the Performance Appraisal Application. The application has been revised a few times.

Mary Lacey: Right.

Diane Putney: What was wrong with the application originally and how much leeway did you US PEO have to shape its design?

Mary Lacey: Well, theoretically I should have had a lot of leeway because they were supposed to be working for me. I was the customer, but the truth of the matter was that generally they did not listen a whole lot to what I had to say. It was the way they were going to do it.

It was very frustrating. I actually even brought in a systems engineer to be my person that was going to oversee the work, and they effectively would ignore him. The problem with the first version was it just was not user-friendly, and they made no attempt to really make it user-friendly. I had to direct them to bring in usability experts. They were not even going to do that. They did not need them.

So, I am sorry. They are wonderful people. They are honor-bright people. They are nice people. They are not systems designers. They may know a whole lot about the technical rules around a personnel system, but they have insufficient people that are used to designing very, very complex systems.

It is built on an Oracle platform, and we are not the biggest user of Oracle, and so Oracle does what they do. What they have to do is go back and – given that Oracle has made this change – they have got to fix it, so they are constantly fixing something they did not even break in order to keep the system alive, and it is somewhat underfunded.

I was not given enough – I was not given money to go develop a new stand-alone system and, in fact, the Department wanted to kill systems. And this was the large – it had been done about five, or six, or maybe even longer years ago where they had actually pulled the plug on a whole lot of custom systems that were scattered all around the Department of Defense and rolled everything up into this one big – it was COTS, and now I would call it semi-COTS.

Diane Putney: Oh, okay.

Mary Lacey: It has been customized so much, I am not sure you could still call it COTS. But all the services have the same – are the same system, so –

Diane Putney: All right.

Mary Lacey: Now Brad Bunn can tell you all about it. He will get very emotional about it because he was the Program Manager of DCPDS, and so it is his baby. And as my Deputy, I trusted that he was getting what we wanted. And then, by the time I saw it, it was like, "Oh my God. This is so bad." And it was almost –

Diane Putney: It was too late. It was too far down the road by then.

Mary Lacey: Correct. But that said, I structured a whole bunch of pieces, of fixes. And so, again, it is the, "Build a little. Test a little. Learn a lot." You only can fix so much. I did not want to bite off so much that it was a real fiasco, but let's fix a couple critical problems to make it a little more user-friendly and then have a longer term solution that was really going to get at some of the problems.

Diane Putney: The individual NSPS employee is evaluated on behavior by the contributing factors and on performance by the performance indicators. How did go about organizing the effort to develop the standard lists for contributing factors and indicators, and were these in best practices? How do you go about getting these?

Mary Lacey: It is actually a whole art form, and it involves behavioral psychologists and all this other kind of stuff.

Diane Putney: Yes.

Mary Lacey: Sharon Stewart, who, at the time, was the – in a temporary SES position as our Director of Human Resources and the PEO. She is now acting Director of CPMS – she is actually – her real day job is – she is the Deputy Director of CPMS – she actually pulled that whole part of it together working with a contractor – whose name I forget – who are experts in job analysis, got a number of focus groups together of managers and employees and similar occupations to validate what work behaviors are important in your job at your level. It really was a scientific study that was done with a lot of interaction, so there were hundreds of people, I think, that were interviewed and surveyed and that sort of thing. So, we invalidated it.

And so, actually if you read things very, very carefully you will find that there actually is a career group that some of those contributing factors are invalid for – or a certain job series that they are invalid for in the technical side of the house, because of the nature of the job. It was not a valid contributing factor.

Diane Putney: Were these used in the demo labs – some of them? It must be because some –

Mary Lacey: Some of them – and in fact some of them are really just are a different – if you think of all of the human

behavior characteristics that are important in accomplishing any kind of work, and think of each of them as a LEGO block, and then you stack your LEGO blocks together. You can stack them up lots of different ways and you put them in lots of different bins, so for the most part, this was just one way of arranging all of those LEGO blocks into eight bins or seven bins, or five bins.

Diane Putney: Right. And the blocks are out there. They are being used by all the –

Mary Lacey: All kinds of things.

Diane Putney: – they're even mentioned in best practices. They are in –

Mary Lacey: In best practices –

Diane Putney: – demos –

Mary Lacey: They are in demos –

Diane Putney: They are in ordinary units that do not have any experience –

Mary Lacey: – really in the SES qualifications. You know there are certain fundamental things that to be effective in the workplace you know you have to build coalitions and certain leadership skills and manage resources, balance your books – follow the law around EEO of effective communication. So, I mean – you could dream up your own set, but then you are

racking and stacking them and group them – and you could make arguments for grouping them slightly differently.

A lot of what Sharon did was work with Components and OPM, which has a lot of expertise in those areas as well, and the contractor that OPM often uses to come up with a – I do not want to say the optimal set – but a set that fit that can bend things comfortably so that most organizations could resonate with it – could identify with it – or did not – or not have allergic reactions to it across a wide variety of organizations that we have at DoD. You come up with something that works in the depot and in a research lab, the same thing. That is a real art form person because the DoD – Everybody likes to think they are special – because they are and so –

Diane Putney: Were you satisfied, are you comfortable with them?

Mary Lacey: I am comfortable with them and, to be honest with you, I am comfortable where we ended up. Where we started, which was that you were actually going to be evaluated on the competencies and so that was the lens you were going to look through – as opposed to the what, it was the how. You were going to be evaluated on how. I was very uncomfortable with that, but OPM was pushing it very, very hard in the beginning.

And then they had a change in leadership, and they also had a change in heart. When Secretary England said, "I pay

people for what they do, first and foremost. This is pay-for-performance. What do you mean we are going to evaluate them first on how they do it? I do not care how they do it if they did not do it." So he was pretty clear that he was dissatisfied with that first view where you have got – essentially got evaluate on the contributing factors for the behaviors, and he was not happy.

Diane Putney: Okay. Now, I will get into some concluding questions and these are somewhat speculative and perhaps objective. This first is if you should use your 20/20 hindsight, which feature or features of the original NSPS proposed legislation in 2003 should have been stricken or deleted from the bill before it became the NSPS Statute, the NSPS law, in 2003 that you worked under in 2004.

Mary Lacey: My personal opinion?

Diane Putney: Yes.

Mary Lacey: My personal opinion, it – I do not want to say stricken. I think they should have been more artfully written. They should have made it crystal clear that you could not bargain on pay because the language was vague on that.

In fact, the language is vague and has been all the way through because it – there is not a single term of art for pay that is consistently used in the federal laws, federal regulations, and by the courts and by arbitrators. This should

have been crystal clear: the intent was that they were not going to bargain pay.

And if Congress had not – if Congress had intended us to bargain pay than they should have said so, so they should have made that crystal clear, "We are either going to bargain pay or not bargain pay and just get over it."

And if the answer was they were going to bargain pay, I doubt that the Bush Administration would have implemented it, okay? Now in 20/20, my personal opinion, I do not believe they should have touched Chapter 71.

Diane Putney: Yes.

Mary Lacey: I really do not. It probably might have been the best shot at changing how they do Labor Relations, it was too deeply embedded in the Department to uproot it without strong support from Congress and, frankly, the support from Congress on that piece of it was incredibly weak. And even the strong supporters of the pay-for-performance side were very skeptical on the other side.

Diane Putney: All right. But if you had to collectively bargain NSPS, could you have gotten anywhere with it with the unions?

Mary Lacey: No, I do not think so. I think we would have ended up with 43 different systems had we had to bargain NSPS– the HR portions of the system –

Diane Putney: When you say that we should not have touched Chapter 71 – what did you mean by that?

Mary Lacey: Under – they tried to expand the scope of DoD's ability to limit – they tried to give management more rights, to try to take rights away from the unions. And in retrospect, I think they should have made it crystal clear, "We are not expanding management's rights. We are not expanding the union's rights." But DoD and OPM tried to dramatically expand management's rights.

Diane Putney: Right, and at the expense of collective bargaining.

Mary Lacey: Now, at the expense of collective bargaining. I like the concept of national level bargaining, but they should have defined some *national level* – they left it up to us to design it.

The problem was that we are not organized – it was not national level bargaining that we needed. It was multiunit bargaining, because the unions are not organized the way the Department of Defense is. DoD could cut a single deal with AFGE. That would not have done the Base Commander down here at Dahlgren a darn bit of good because she has AFGE, she has this union, she has that union. Back in my days when I was NSWC, I had one base where I had seven unions, so having a contract

with one of them and then having a different contract with another was worse.

What I needed was the ability as a local organization – because, let's face it, a lot of this stuff is local – I am not going to bargain a snow policy nationally with AFGE, you know? That makes no sense – or a hurricane policy with AFGE, you know? What do Nome, Alaska AFGE folks have to say about it? Well, it does not matter, some of those things are local. And the ability to do multiunit bargaining to force five, or six, or seven, or eight different unions to come to terms with local management on a contract would have been very, very powerful and much more useful. And that is something we could not compel them to do today.

They could voluntarily do that, but quite frankly, they generally do not volunteer to do that because they are each there to serve the interest of their constituents. That, I think, would have been very, very powerful and had that been made clear in the original law that that was covered that would have been very helpful. But national level bargaining is not particularly useful, at least not to me.

Diane Putney: Yes.

Mary Lacey: My personal experience as a line manager – before I was PEO – I had around 70 or 80 locals that were affiliated with my subordinate activities. And I did not need

one contract, with all 80 of those locals – but it sure would have been nice if my Technical Director at Dahlgren had one contract and my Technical Director at Indian Head had one contract with all the locals at Indian Head, and that was just too hard.

Diane Putney: As a leader of reforming and changing a system, you undoubtedly heard critical, negative feedback just because a lot of people do not like change.

Mary Lacey: Oh, yes.

Diane Putney: How does a leader and engineer like yourself differentiate complaints that are traditional and predictable because people do not like to have to change from complaints that may have legitimacy because of a flaw in a design?

Mary Lacey: You know you got to listen. You just have to listen and keep an open mind. And it gets back to some of that – some of the skills that managers need to develop. You really do need to listen to folks. Ask them why. Why do they feel that way, or what makes them think that, or what happened to them? "Tell me what happened to you, help me understand."

And it ultimately comes down to judgment. You know, one of the signs of a credible leader is that they actually believe that they could be wrong. I have tried to emulate that behavior. Sometimes I am not very good at it because everybody

gets emotional about certain things – but you go out and you seek feedback and you listen. Do the best you can. Talk to people that you trust who are pretty straight shooters and ask them. I do not know any other way to do it.

Diane Putney: When your tenure as PEO ended, what was the NSPS feature that received the most praise from managers that you heard about that they liked the best?

Mary Lacey: I think they liked the ability to actually give people more money and give them salary increases based on performance. They liked that.

Some of the other things about NSPS, the – some of the good features they had not had enough run time with them and, in fact, in some organizations they really had not used them yet. There is a lot of flexibility in NSPS that – now that we have given it to them – they are sort of like. They are concerned about using them all at once until they start to really understand them and explore. So they like that.

Now, features that they liked the least: two different things. One is the Tool. I mean, it is the first word out of everybody's mouth is the Tool. And the other thing that there is a complaint about is the five percent. When you move somebody from a job, you can give them more responsibilities and all that other kind of stuff. You can give them up to a five percent increase. Everyone wants the ability to at least

match what we could have done in the GS if I was going to a 9 to an 11, which is six percent minimum. And what they forget is that that was a competitive promotion.

Under NSPS, we have now made it a non-competitive promotion, and so in order to stick with merit principles – we do have a meritocracy in the federal government. That's what it is supposed to be.

I mean, Teddy Roosevelt came in, and there was an uproar in this country, and that is why we formed the Civil Service Commission or that is why the country formed the Civil Service Commission – because of all the graft and corruption. The country made a decision that our Civil Service was going to be a meritocracy.

You cannot adhere to those basic principles of a meritocracy and then say, "Except for – I am not going to follow any of them." And essentially that is what some of the managers wanted. They wanted the ability to replicate the effect of a competitive promotion, but not have to do a competitive promotion. Those, I think, were the two features that got the –

Diane Putney: That you heard most –

Mary Lacey: – most about.

Diane Putney: As the NSPS Program Executive Officer, did you have a high point and then a low point in your tenure, or was it all fairly even keel?

Mary Lacey: It was generally even keel, but very high energy. If I had to say was there a low point, it was losing the – not winning the lawsuit in the Circuit Court – in the lower court – and having to go the Appellate Court.

Diane Putney: Yes, where you won.

Mary Lacey: Yes, yes. So that was very much a disappointment. Not only was it a disappointment, but it was a dicey time because – you are uncertain still.

Diane Putney: Yes.

Mary Lacey: And I was not 100 percent comfortable that the Justice Department was really buying our arguments and that we had full agreement. So, it was a little uncomfortable and little tense, but the deployment of 1.1 was really a lot of fun, getting out, training people, going to Train-the-Trainer sessions. I went out myself and did a lot of Town Halls and met a lot of people. There were some times where I made sure that I had baby wipes to make sure if I got tomatoes thrown at me that I could clean up, and there were some folks that were not going to be happy – and that is okay. But, going around and talking to organizations and finding out what their concerns were and listening to them and having a lot of the same concerns and

complaints and anxieties everywhere, but just being able to talk to people, I personally find it invigorating. I am a people person in the end.

Diane Putney: And you feel comfortable with that.

Mary Lacey: Yes, I was perfectly comfortable with that, going and talking to them – and listening to their concerns and saying, "Hey, I will look into that. I will get you feedback, blah, blah, blah."

Diane Putney: Now as PEO, you had an interesting vantage point from which to observe the three branches of our federal government at work.

Mary Lacey: [laughter]

Diane Putney: The Executive, the Legislative, and the Judicial.

Mary Lacey: Yes.

Diane Putney: As a career civil servant in PEO, did your views of the U.S. federal government change as you saw up close how, as they say, *sausage is made*?

Mary Lacey: Let's see, I do not want to say that it really changed, but I appreciated it more. I had to. I was asked to speak at an organization on leadership and about some of the things that I had learned. And I said, "You know, something they do not teach us in the Department of Defense, and very few of us really get exposure to the legislative

branch in any depth. In your day job, particularly when you are way out in the field, you might talk to a local representative's representative, but the people working there in D.C." I said, "You know, they are great people. They are not bad people. They are not out to do evil things. They were doing the best they can to meet the needs of the country and to legislate, and they are very reasonable people."

I got a lot more in-depth appreciation particularly for how the Hill works than I have had in previous jobs even though I have had quite a bit of interaction with the Hill, so it was good. I thought that it was good. I really did not run into any bad people. I mean, people did not come to work and say, "I want to do a bad job today."

Diane Putney: What were the NSPS accomplishments when you left the PEO position in 2008?

Mary Lacey: That I was most proud of?

Diane Putney: Yes.

Mary Lacey: The fact that we had deployed it, that we actually had got people in it. We had been through two pay cycles, and we were improving it. I was pleased that we were able to work behind the scenes with the Legislative branch to get the legislation cleaned up so that we could revise the regulations.

I was disappointed that when I left we were still at impasse with OPM and the Department of Justice on whether or not we could actually implement the staffing changes, but that was recently cleaned up. In NDAA '09, the regulations have been published, but it is to be seen whether or not Obama is going to let them go into effect or when they do go into effect, I do not know. But, I mean, just the fact that we did it.

I walked into the job with great optimism: "Oh, we are going to convert everybody real fast," but I knew we never were. I knew we were never going to do it in that kind of speed. The way I look at it, we got 200,000 people who are pay-for-performers -

Diane Putney: Yes, that is the number now?

Mary Lacey: It is - it is probably more than that. But, you know what, that is 200,000 people that were not in a pay-for-performance system before. Is it perfect? No, it is not perfect, but we built it so it can change.

I think it's going to take quite a bit of time for many organizations to grow into it and to recognize its power because the power of it is when you align it with other tools in your toolkit. It is not the end all, be all. It is not the reason. It is just the tool that helps you accomplish your mission. And if you use it to accomplish your mission, to augment and help you with that, it is a good thing.

You want to incentivize people to learn new skills or to take on more responsibilities and those sorts of things. You can use it for those reasons, to change the output and the outcome of your organization.

Diane Putney: That was my last question except for this: Is there anything else you would like to discuss or add to this interview? Any comment about anything or a topic?

Mary Lacey: Not that I can think of at the moment. I am sure once I see the whole thing and the transcript there will probably be some things that come to mind.

Diane Putney: Sure, and you could add something at the end. If you want to elaborate on answers, that is fine – delete something, clarify something that would be –

Mary Lacey: Yes, the veterans' preference thing that you had asked me about – where the OIPT finally came down on that. We finally kind of split the baby. I went back and thought about it and checked with some folks, and what we did was split the baby. We said, "On hiring we would definitely have – veterans' preference come first." We are going to give them a foot in the door, an advantage of getting in the door.

But, once they are here, everybody is going to be treated the same and that on any kind of firing, if we had to do a reduction in force, veterans' preference would not count. I mean, you would go out the door – the lowest performers would

go first whether they were a veteran or not. And that was what OPM was hard over on: absolutely not. Any preference they have today they have to retain. And so, that finally actually went up to Secretary England and the Director of OPM. And then, I believe they actually even talked to OMB about it.

Diane Putney: And then, the decision was we would leave it alone. Is that correct?

Mary Lacey: Yes.

[End of file: Lacey 22 Jan 09 Tape 1 Side B.mp3]

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