S. Hrg. 109–329

THE RIGHT PEOPLE? OVERSIGHT OF THE OFFICE OF PERSONNEL MANAGEMENT

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

JUNE 27, 2006

Printed for the use of the Committee on Homeland Security and Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

29–507 PDF WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

SUSAN M. COLLINS, Maine, *Chairman*

TED STEVENS, Alaska
GEORGE V. VOINOVICH, Ohio
NORM COLEMAN, Minnesota
TOM COBURN, Oklahoma
LINCOLN D. CHAFEE, Rhode Island
ROBERT F. BENNETT, Utah
PETE V. DOMENICI, New Mexico
JOHN W. WARNER, Virginia

JOSEPH I. LIEBERMAN, Connecticut
CARL LEVIN, Michigan
DANIEL K. AKAKA, Hawaii
THOMAS R. CARPER, Delaware
MARK DAYTON, Minnesota
FRANK LAUTENBERG, New Jersey
MARK PRYOR, Arkansas

MICHAEL D. BOPP, *Staff Director and Chief Counsel*
MICHAEL L. ALEXANDER, *Minority Staff Director*
TRINA DRIESSNACK TYRER, *Chief Clerk*

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

GEORGE V. VOINOVICH, Ohio, *Chairman*

TED STEVENS, Alaska
NORM COLEMAN, Minnesota
TOM COBURN, Oklahoma
LINCOLN D. CHAFEE, Rhode Island
ROBERT F. BENNETT, Utah
PETE V. DOMENICI, New Mexico
JOHN W. WARNER, Virginia

DANIEL K. AKAKA, Hawaii
CARL LEVIN, Michigan
THOMAS R. CARPER, Delaware
MARK DAYTON, Minnesota
FRANK LAUTENBERG, New Jersey
MARK PRYOR, Arkansas

ANDREW RICHARDSON, *Staff Director*
RICHARD J. KESSLER, *Minority Staff Director*
NANCI E. LANGLEY, *Minority Deputy Staff Director*
EMILY MARTHALER, *Chief Clerk*

CONTENTS

	Page
Opening statements:	
Senator Voinovich	1
Senator Akaka	3

WITNESSES

TUESDAY, JUNE 27, 2006

Hon. Linda M. Springer, Director, Office of Personnel Management	4
Hon. David M. Walker, Comptroller General, Government Accountability Office	8

ALPHABETICAL LIST OF WITNESSES

Springer, Hon. Linda M.:	
Testimony	4
Prepared statement with attachments	27
Walker, Hon. David M.:	
Testimony	8
Prepared statement	49

APPENDIX

Questions and answers submitted for the Record from:	
Ms. Springer	83
Mr. Walker	92

THE RIGHT PEOPLE? OVERSIGHT OF THE OFFICE OF PERSONNEL MANAGEMENT

TUESDAY, JUNE 27, 2006

U.S. SENATE,
OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE AND THE
DISTRICT OF COLUMBIA SUBCOMMITTEE,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:15 a.m., in room SD–342, Dirksen Senate Office Building, Hon. George V. Voinovich, Chairman of the Subcommittee, presiding.

Present: Senators Voinovich and Akaka.

OPENING STATEMENT OF CHAIRMAN VOINOVICH

Chairman VOINOVICH. The hearing will please come to order. We are going to begin. Unfortunately, Mr. Walker is stuck in traffic and will be late, but, we are pleased that Ms. Springer is here today.

This hearing is titled, "The Right People? Oversight of the Office of Personnel Management." I called today's hearing to discuss GAO's management review of the Office of Personnel Management that has been underway for the past year. My colleagues, Senators Collins, Lieberman, Akaka, and I requested this review to assist the incoming Director, following the departure of Director Kay Coles James. GAO's work is important to assist Congress in evaluating the current status of OPM and find an answer to this key question: "Is OPM positioned to be the Federal Government's agency of change for effective strategic human capital transformation?"

People often ask me why I spend my time on Federal human capital management. I have to ask, what if the intelligence community did not have enough linguists fluent in languages critical to conducting the war on terror? Or, what if the Office of Personnel Management did not have enough investigators to conduct background investigations for agencies to grant employees security clearances? Or, what if the Veterans' Administration did not have enough nurses to provide care at our veterans' hospitals? Or, what if the Social Security Administration did not have enough administrative law judges to hear disability claim cases in a timely fashion?

These are not hypothetical questions. These are real areas in which the Federal Government is lacking the right people with the right skills. OPM must be able to assist agencies to build the necessary workforce to accomplish these vital missions and others.

The Office of Personnel Management is no different from the rest of the Federal Government. It is facing a retirement wave, a "tsunami," as Director Springer has called it. In the next 4 years, 46 percent of OPM's total workforce, and 66 percent of its Senior Executive Service, will be eligible to retire. In his written testimony, Comptroller General Walker gives the overall statistics for the Federal Government: That in the next 4 years, 33 percent of the total workforce and 68 percent of the Senior Executive Service will be eligible to retire. This could be a debilitating loss of talent and institutional knowledge.

As everyone here knows, in the previous 3 years, Congress has enacted more changes in the Civil Service Code than in the previous quarter of a century. I want to acknowledge Senator Akaka's effort in that regard. In every instance, OPM has been given a critical role in guiding agencies through the implementation process, whether through issuing regulations to guide agencies on use of category rating, approving requests for direct hire authority, certifying performance management systems for the Senior Executive Service, or working with the Department of Homeland Security and the Department of Defense to develop regulations for new personnel systems. OPM has been tasked with new responsibilities.

In addition, OPM has maintained all its previous functions, such as administering the Federal Employee Health Benefits Program, processing all Federal employee retirements, and conducting the background investigations needed to process a security clearance.

Furthermore, we in Congress continue to discuss whether additional Federal workforce reforms are necessary in order to ensure the Federal Government is a 21st Century employer of choice. It is no secret that I believe that additional reforms are necessary. I have introduced legislation, the Federal Workforce Performance Appraisal and Management Improvement Act, to improve Federal employees' performance appraisals and more closely tie pay levels to those appraisals. In fact, this Subcommittee will have a hearing on this legislation, as well as the bill introduced by Senator Akaka, this Thursday.

Under our legislation, OPM has a key role to play in reviewing performance management systems. Comptroller General Walker's testimony is going to be imperative to help us understand whether OPM is prepared to lead the way.

Ms. Springer, you have been in your position for just one year, a year tomorrow to be exact. I suspect you feel like you have been in it for 5 years. Since you assumed the position, you have made significant progress in positioning the agency to lead future reform. I was very much impressed by the new OPM strategic and operational plan. In addition, OPM has earned a "green" on the President's Management Agenda scorecard for strategic human capital management. It is vital that OPM be a model agency in order for it to successfully lead transformation throughout the Federal Government.

I was with the President several weeks ago, and we were talking about Josh Bolton moving on to be Chief of Staff and my friend Rob Portman becoming the new OMB Director. I said, "Mr. President, did you know that they have green in one area and all the rest of them are red?" He said, "What?" I said, "Yes. OMB has three areas

that are red." My feeling is that, just as Ms. Springer's agency should be right on top and all green, so should the Office of Management and Budget. So the President says, "We will see about that."

However, I think that, Ms. Springer, you know that we can always do better. I am sure that Mr. Walker will identify and make appropriate recommendations to do just that.

I look forward to both of your testimonies and the honest discussion we will have here today on where OPM has been and where you would like to take it.

I would now like to call on Senator Akaka for his opening statement. Senator Akaka.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. I want to thank you for this hearing and for always looking to address problems that we will be facing in the future and holding hearings so that we can address them.

I also want to commend the Director for her work during the past year, to come forward with the State of the Agency Report. It is impressive and I want to commend you for that.

Although we, in Congress, understand that OPM is the focal point of human capital management, it is safe to say that the average taxpayer looks toward the Federal worker to run the government, and the American people need confidence in the ability of government to provide the services on which they depend. OPM needs the right people who understand how efforts to modernize the Civil Service could adversely impact agency performance and public confidence.

Our goal today is to understand what resources OPM needs to fulfill its operational and managerial responsibilities, while safeguarding the rights, benefits, and protections of employees under a merit-based personnel system.

Mr. Chairman, I want you to know that, unfortunately, I must leave at 10:30 to attend a classified briefing on the North Korea missile program, which may affect the State of Hawaii. Mr. Chairman, I want to make sure that the Comptroller General and the Director of OPM have time to deliver their statements before I leave. Therefore, I ask, Mr. Chairman, that my full statement be made a part of the record.

Chairman VOINOVICH. Without objection.

Senator AKAKA. Thank you.

[The prepared statement of Senator Akaka follows:]

PREPARED STATEMENT OF SENATOR AKAKA

Thank you, Mr. Chairman. As you've noted, the oversight of the Office of Personnel Management (OPM) is the responsibility of this Subcommittee. I, too, welcome the opportunity to evaluate the ability of OPM to be the government's leader in personnel policy today and in the future with our two witnesses—OPM Director Springer and Comptroller General Walker—both of whom share our view that public service is an honorable profession.

OPM has one of the most important roles in the Federal Government—administering and enforcing Federal Civil Service laws, rules, and regulations as well as aiding the Executive Branch in managing the Federal workforce. OPM also supports agencies in recruiting, retaining, training, and motivating the best and most effective workforce possible. If agencies do not have the personnel systems in place to

have the right person, with the right skills, at the right place, at the right time, they cannot meet their goals.

Although we in Congress understand that OPM is the focal point of human capital management, the taxpayer looks toward the Federal worker to run the government. And the American people need confidence in their government's ability to provide the services on which they depend—from protecting their private, personal data to providing quality health care to the Nation's veterans, and to provide them in a manner free from political pressures. That is why the rights and protections of Federal workers are so important. Unfortunately new personnel reforms being touted by the Administration for Federal workers, such as those being developed at the Departments of Defense and Homeland Security, have eroded employee morale. This can impact agency performance and undermine the public's trust in government. OPM needs the right people who understand how OPM's efforts to modernize the civil service could adversely impact agency performance and public confidence. Our goal today is to understand what resources OPM needs to fulfill its operational and managerial responsibilities, while safeguarding the rights, benefits, and protections of employees under a merit-based personnel system.

Although Director Springer and I do not always agree on the direction of government, she knows I am appreciative of the enthusiasm and leadership she has brought to OPM. I am especially pleased with OPM's new advertising campaign showcasing Federal employment. However, no amount of advertising will erase the perception that it takes too long to get a Federal job, which is why OPM's resources must be devoted to attracting—retaining—training—and motivating a skilled and professional workforce. It's imperative that OPM eradicates the perception among young people that it's not worth their time to pursue working for the Federal Government.

Making Federal employment more attractive to the next generation is an area where Chief Human Capital Officers (CHCO) and Human Resource Directors can help. OPM must continue to exercise its leadership in guiding this endeavor. The same holds true for pushing agencies to use existing flexibilities to hire talented individuals. Communication and collaboration between OPM and other Federal agencies must be strengthened, and it is my expectation that the CHCO Council will be an important link in OPM's strategy to improve communications among agencies.

In my discussion of OPM's capacity to lead, the issue of retirement comes up, especially since nearly half—46 percent—of OPM's workforce will be eligible for retirement in about 4 years. The loss of experienced personnel, both at OPM and across the Federal Government, should concern us all. I commend OPM on working to develop a strategy to convince these seasoned employees to remain on the job longer. On the other hand, pursing programs that are not in the best interest of the Federal workforce will result in workers opting to retire. Employee morale is a critical feature in figuring our retirement numbers no matter whose retirement estimates we use.

OPM must also increase its capacity to ensure that supervisors receive adequate training. Since the 1990s, supervisory training has been the responsibility of individual agencies which has resulted in inconsistent training. The Federal Managers Association notes that 60 percent of its members will be retirement eligible in 5 years, and we must commit to nurturing new managers. Mandatory training programs, developed through guidance provided by OPM, will strengthen manager-employee relationships and increase communication.

Mr. Chairman, we're looking for OPM to lead by example, which is why we asked GAO to identify specific management challenges that stand in the way of OPM capitalizing on its role. I want to thank you again for holding today's hearing which will serve as a roadmap for future discussions of OPM's capacity to lead.

Senator VOINOVICH. If you will stand, I will swear you in. Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. SPRINGER. I do.

Chairman VOINOVICH. We welcome you back. Usually, I would limit you to 5 minutes, but if you want to go for 7 minutes, we will let you do that.

TESTIMONY OF HON. LINDA M. SPRINGER,[1] DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

Ms. SPRINGER. Thank you, Mr. Chairman, and thank you, Senator Akaka. As you mentioned, it is one year since I took the oath of office to become the eighth Director of the Office of Personnel Management. As you mentioned also, there are times when it seems a little longer than that, but for the most part, we have gotten a lot done in that year.

My objective at the time of assuming this office was to raise the agency's performance level. Clearly, the agency was coming off of a period, and a survey, that indicated that there were things that needed to be adjusted and fixed. Many of the Comptroller General's comments are founded on that 2004 survey. What I can report to you today, is that we have made demonstrable progress since that time, and we are beginning to realize the two goals that I have for OPM. One, is that we would achieve operational excellence and two, strategic creativity. So, what I want to talk to you today about, primarily, are the steps that we have taken since I came on board and what that is leading to in both of those areas.

Obviously, at the very beginning, you have to look to leadership. Leadership is what is reflected through an organization, and so it starts at the very top. Sitting before you today is the senior leadership team of OPM. They have all come to demonstrate the fact that we are a team. Half of them are relatively new to their positions over this past year, both internal promotions as well as people from outside. We now have a senior leadership team that has been reinvigorated and really works together in a very constructive and candid way, that they hadn't been able to do for some time.

Beyond just the leadership, effective organizations ensure that the associates throughout the organization are connected to the mission. That was something that, candidly, as the 2004 survey demonstrated, was not the case for significant portions of OPM, particularly for the thousands of associates who were operating around the country. We have roughly 59 offices. One of my goals was to visit every single OPM office at least once every year. When I leave this hearing today, I am going to be visiting our offices in Dallas, Tucson, and Denver. That will be close to wrapping up all those visits.

But what I learned repeatedly, was that agency visits by a Director hadn't been happening, in many cases for as many as 10 years. So, it is no surprise that the results of the survey in 2004, prior to my arrival, indicated that people felt detached from the leadership, detached from the overall goals and objectives, because even at the highest level, leadership wasn't engaged and wasn't visibly out there connecting to staff.

That is changing, not only with these visits but also with the use of nation-wide Webcasts with real-time Q and A, and with other visits by members of this senior team, who are committed to being visible. All of those things, flows of ideas to and from the office here in Washington, are raising morale, raising engagement, and

[1] The prepared statement of Ms. Springer with attachments appears in the Appendix on page 27.

are allowing us to better serve the nation-wide workforce, which, as you know, is located predominately outside of Washington, DC.

So, getting the right people in place and getting people engaged were the first two steps. Now we need to have a plan to really set our course.

As you have acknowledged, we did come out in March with a new strategic and operational plan with new goals. Among others, we had the CHCO Council Executive Committee review those goals and review that plan before we published it. It is one of the ways that we are trying to link better with the Council and bring them more into our management for the human capital community.

The new plan is distinctive. It is clear, it is candid, and it is specific. It has got about 170 to-dos. It doesn't have pictures. It doesn't have a lot of text. It is very different from most other plans. The *Washington Post* called it strikingly clear and simple and reflects a no-nonsense, down-to-earth style. I consider praise from the *Washington Post* something to be valued.

We have the plan. We have the people. Now the next step is to create an accountability culture. An achieving of the goals of those plans really meant that we had to incorporate those goals into each individual person's own personal plan. OPM associates throughout the organization now have objectives that are tied to the plan. Senior executives, particularly, have 75 percent of their performance contracts tied to those plan goals. Word for word, they are exactly transferred, and there is a direct linkage now to their compensation at the senior executive level when executing and achieving those goals. That means we have greater assurances that the goals will be achieved and we have a well-harnessed team environment, where everyone is sharing in the goals and working to get those done.

Those are all positioning steps, and now that they are done, we are ready to raise our operational performance. All of those things are just a prelude to actually achieving results.

Progress for all of our plan goals is monitored using a chronological tracking system, and a copy of that is attached to my statement today. You also can see that on OPM's website. The link is also listed in my written statement. I will be honest with you, I don't know of any other agency that has a link on their website where you can go directly to all of their goals, specifically, and have the date that they were completed. It is something that I don't think is heard of, candidly, among agencies and even in the private sector—complete visibility.

To date, we have achieved every plan objective that has been scheduled since we introduced the plan in March. And, in some of the cases, we are ahead. We have achieved ones that aren't even due yet. So, we are achieving results. We are off to a good start there.

As far as funding the effort, that is an important thing. We won't be able to realize the results of our plan without getting the 2007 budget funding that we need. Things that we are doing, important things like the guidance for the President's human capital plan for the possibility of pandemic flu wasn't due until August. OPM has already been releasing it in advance. That is part of the new customer service mindset. We are looking at the customer, saying,

what does the customer need? Not just accurate, good guidance, but they need it in a timely manner. So, even though we didn't have a date until August 1, we already did the first release in June. The second release will be in early July. And then the balance will follow at the August due date.

That is the mentality that we are operating under. We think that we are in a good position to ask you for full funding of our 2007 budget request. One of the things that we will fund is our retirement systems modernization. Unfortunately, the funding for that by the House was zeroed out, and that was a disappointment to us, and I think they realize that needs to be put back in. We are hoping to work with the Senate to make sure that doesn't happen and it gets resolved in conference.

We now have a 1950s-vintage retirement calculation process. As you know, OPM does all the calculations of retirement benefits, not just for the Executive Branch agencies, but also for the Legislative Branch. So, all of us in this room who are either with the Legislative or the Executive Branch will have our retirement benefits calculated by OPM. We are using a paper-based 1950s system that has file drawers that end-to-end would run from this conference room to Baltimore and back again. That is how bad it is.

As you mentioned, we have a retirement wave coming. This system will crash if we don't get the new automated one put in place. We need funding to do that. You have my personal assurance that this is my highest priority and I will not let this program fail, as other IT projects have across the government.

Now, those are all operational things that we have done. What we are now looking to do, as well, is to look strategically and do that in new ways. In the span of just a few months, OPM has fast-forwarded beyond decades of what I would consider worn-out practices and we have initiated two of the first three steps for bringing and attracting Federal workers into the government. The first was a media campaign, the first of its kind. You can see on this chart a little preview. The tag line was, "What did you do at your job today?" This campaign used four Federal agency employees. OPM produced the commercials. They have been running in many media markets, right now in Cincinnati, Ohio, Mr. Chairman. One of the triggers or steps is that people who are interested will go to a special section of the USAJOBS Website. We have had over 11,000 visits since we started this campaign just a few weeks ago.

So, it is working and it is attracting people to raise their awareness of a broader range of government jobs. You don't just come to Washington and sit behind a desk nine-to-five and do the same thing day after day after day. There are exciting jobs. Our job is to make sure that people know about it. So that is our media campaign, step one.

In addition to that, we have gone to step two, which is to recognize that the future workforce wants a variety of working arrangements. They don't necessarily want just the traditional arrangement. That is a good one, but that is only one. There are people who want to get up at four in the morning and work from their homes at unusual hours for the U.S. Government. If they want to do that, and they are qualified, we need to reach those people.

So our career patterns approach to attracting talent in the 21st Century identifies all the types of patterns that should be made available, and we have introduced this now to agencies and are requiring agencies by January 1 to go through and inventory their positions according to the different patterns. We didn't stop there. We didn't just put out a rule or put out a demand. We actually developed a tool that agencies can use to analyze which of the patterns apply, and an important part of that tool is to use all the flexibilities that you have granted and passed over the past several years to say which flexibilities line up with which pattern and we will help you to attract and retain this new 21st Century workforce. So, we are very focused on that, and we are actually doing things.

The third component of our approach here will be speeding up the hiring process, because there is no point in getting people excited about coming if we can't bring them on board in a timely fashion. You have both recognized that and charged us to do that, and obviously, that is something else that is an important part of our work.

I just want to wrap up by saying that we are committed to all of the things that go with our goal of making sure we have an effective civilian workforce. Clearly during my tenure, we have made many changes. Many concrete things have taken place, with many more to come. This is not the old OPM. This team sitting behind me is committed to making sure that we are able to meet the demands that you place on us and that the American citizens do, as well.

I will be glad to respond to your questions. Thank you.

Chairman VOINOVICH. Thank you, Ms. Springer.

Mr. Walker, we are glad that you are now here. This storm that we had in Washington has really impacted everyone, including the Comptroller General.

If you will stand, I will swear you in. Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. WALKER. I do.

Chairman VOINOVICH. Thank you. Please proceed with your statement.

TESTIMONY OF HON. DAVID M. WALKER,[1] COMPTROLLER GENERAL, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. WALKER. Mr. Chairman, Senator Akaka, let me just say mea culpa, mea maxima culpa. I apologize for being late. Ironically, I was at my desk this morning at 7 o'clock, but today, we have our senior executives annual meeting across the river, and when I tried to come back across the river, it was a zoo. Let me just say, I am thinking of calling Noah, and I don't mean the agency in the Federal Government, to hedge my bets in case we get any more rain here, but I do appreciate the opportunity.

Chairman VOINOVICH. We really appreciate your being here, too. I just publicly want to say that we have really benefitted from your help, cooperation, advice, and sincere interest in the Office of Per-

[1] The prepared statement of Mr. Walker appears in the Appendix on page 49.

sonnel Management. I don't know what, frankly, we would have done without the tremendous input from you and the people that work for you. Thank you. The progress we have made would not have been possible without your help.

Mr. WALKER. Thank you, Mr. Chairman, and thanks to you and Senator Akaka for your leadership, because I think a lot has been accomplished in the last few years and I am confident that a lot more will be accomplished in the coming years.

Chairman VOINOVICH. By the way, Senator Akaka is leaving to attend briefing of the Armed Services Committee on North Korea.

Mr. WALKER. Thank you, Mr. Chairman. I can understand why he is going.

I would like to summarize my statement, if I may, Mr. Chairman, and I ask that my entire statement be included in the record.

Chairman VOINOVICH. Yes.

Mr. WALKER. Thank you, Sir. As I have noted previously in our 21st Century Challenges Report, people are the most valuable asset of any knowledge-based enterprise and the Federal Government is no exception. We must modernize our human capital policies and practices if we are going to attract, retain, and motivate a top-quality workforce in the 21st Century.

It is important that we recognize that we need to transform our human capital policies and practices, and in many cases, we need to transform the agencies that comprise the Federal Government. While the Federal Government needs to undergo a broad-based transformation effort, OPM is one of the agencies that has its own transformation challenges. I know from my conversations with Director Springer that she agrees that OPM does have a major transformation challenge and she has undertaken a number of efforts to try to help facilitate and expedite such an effort.

In that regard, we have seen considerable progress in a short period of time under her leadership. She has taken a number of steps to try to transform the agency, not the least of which was the publication of OPM's, "Strategic and Operational Plan for the Period 2006 to 2010." This plan identifies a number of activities that OPM plans to implement in order to achieve its stated objectives, including dealing with the employee satisfaction issue.

As you undoubtedly know, we have a situation where OPM was ranked, I think, No. 6 in employee feedback in 2003. It went down to No. 27 in 2005. But that was based on 2004 survey data. We will have to wait and see what the results of the next survey are, and I know that Director Springer has taken a number of steps to try to help enhance communication and engage a broader cross-section of the OPM employee community.

I also note, when you look at the results of the employee feedback survey and the rankings, that while government is a very hierarchical organization, in general, the results from the survey show that OPM was more hierarchical than most government organizations. I know that Director Springer is trying to take steps to deal with that.

As I said, they have taken commendable steps and made meaningful progress. What I would like to do is to focus on four areas where I would recommend that Director Springer continue to take

steps in order to build upon the progress that has already been made and in order to address the challenges that remain.

First, leadership. There is no doubt in my mind that Director Springer is committed to doing what it takes to achieve the outlined objectives. I think, as I said before, it is pretty clear from the survey results that OPM's culture, based on the feedback results, has been more hierarchical than most. Steps that can be taken to fully engage leadership, and to expand communication efforts to try to deal with that past problem and break down the barriers, are very much needed.

Second, with regard to talent and resources, OPM has made progress in assessing its current workforce needs and developing leadership succession plans. However, OPM also needs to try to take a look at what type of future skills and competencies it will need as compared with what it has, and how best to go about filling those gaps. The basic nature of OPM is likely to change dramatically in the coming years and that means that the type of skills and knowledge that it will need and capabilities and the relative quantities will likewise change.

This means that, in addition to looking at the skills and knowledge, they are going to also, in my view, look at their organizational structure and possibly realign their organizational structure as well as consider alternative sourcing strategies as to how best to meet their needs of the future. To what extent should work be done by civil servants? What type of skills and knowledge, at what levels and compensation programs, would they need to have? To what extent can and should they be leveraged to technology? And, to what extent, might they be able to employ alternative sourcing strategies?

With regard to customer focus, communication, and collaboration, agency views and survey results in our previous work show that OPM is taking steps to improve its customer service and communication with agencies. It is important they continue to do so. It will be critically important as we move ahead because they will become more of an enabler rather than a compliance type of organization, although they still will have certain oversight responsibilities.

With regard to performance, culture, and accountability, OPM has made progress in creating a line of sight and in enhancing alignment and accountability across their organization in an effort to achieve the stated objectives that are outlined in their newest plan. Ultimately, success in achieving Director Springer's reforms objectives will rest in part not only on her committed leadership and sustained attention and her other top executives, but OPM's ability to properly align and consistently support mission accomplishment of the employees of the organization through making sure that they have modern, effective, and credible performance management systems that align institutional, unit and individual performance management objectives.

Mr. Chairman, that is an overview, an executive summary of my extensive written statement, which I know has been submitted for the record. I would be more than happy to answer any questions that you may have.

Chairman VOINOVICH. Thank you very much, Mr. Walker.

Ms. Springer, could you further describe OPM's budget? First, is the budget that was approved by OMB sufficient? If we are able to maintain that number here in the Senate, would that be adequate, or are you going to be strained?

Ms. SPRINGER. We will be able to——

Chairman VOINOVICH. Listen, I want you to level with me.

Ms. SPRINGER. Yes.

Chairman VOINOVICH. One of my concerns is that agencies are not forthcoming above their fiscal challenges. More and more is being asked of various departments and agencies, but they are not getting additional resources.

It is attributable to the fact that we are squeezing the non-defense part of the discretionary budget. We have to face up to the fact that there are growing challenges but not increasing resources.

We really need candor from people like yourself I told the same thing to OMB Director Rob Portman, who I have known a long time. I said, one of his priorities is taking care of the personnel needs of departments and agencies. So I would like you to be as candid as you can be with us.

Ms. SPRINGER. For 2007——

Chairman VOINOVICH. Yes.

Ms. SPRINGER. For 2007, we can get the things that are in our plan done if we get all the funding. We will be challenged to be creative in how we deploy people, and if any new demands come up during 2007, unfunded mandates, if you will, then something will have to give because that level that we have requested will just do it for us. But if new things come up, then something will have to take a back seat. So, that is how tight the 2007 budget is.

The biggest concern that I have about 2007 is that we don't get the funding we need for this retirement system. You and I have had the chance to talk about this, which I appreciate. Two things were a real shocker to me when I came in a year ago. First was the state of the retirement calculation process and the second was the 2004 survey. You can imagine coming into an organization and being hit with those two things makes you wonder why you came. That is fair, but then you just do something about that. You sort of move on from that point.

Regarding the 2004 survey, I can work with that with this leadership team. Regarding the retirement systems modernization. I understand the history of false starts and government-wide programs that failed because of bad leadership or whatever, but we can't afford to fail this time. We can't go further without the funding. So from a budget standpoint, that is my biggest concern for 2007.

Mr. WALKER. Mr. Chairman, can I touch on the retirement system real quick, if that is OK with you?

Chairman VOINOVICH. Yes, fine. Sure.

Mr. WALKER. There is no question in my mind, Mr. Chairman, that they absolutely, positively need to modernize their retirement information system. I had a personal experience within the last couple of months where a friend of mine passed away who was a Federal Government employee and whose wife was waiting for weeks in order to try to be able to get her survivor benefit payments from OPM. There are real human faces on a lot of these

problems. The volume involved, the fact that it is paper-intensive, the fact that we have got a huge retirement wave coming, there is absolutely no question that it has to be modernized.

The one thing that I would suggest that this Subcommittee, and the Congress, may want to consider, is if there are concerns about OPM's readiness, the Congress can always consider employing an approach similar to what it has done with the IRS's modernization effort. Specifically, to give OPM the money, but possibly require GAO to take a look to make sure that things are going reasonably well. I know that Director Springer is dedicated to making sure that this does go well and she has made it one of her highest priorities, but it is a bona fide need and I do think it is something that deserves serious attention.

Ms. SPRINGER. We did have GAO visit with us periodically on our progress.

Chairman VOINOVICH. The other thing is, how much help are you getting from the unions? They ought to be really concerned about this.

Ms. SPRINGER. Any time I speak to them about this, this is one of those areas where we have got really complete agreement. So the answer is yes——

Chairman VOINOVICH. I am hoping—what I would love to see is some copies of letters from major employee unions to the members of the Appropriations Committee to let them know how important this project is. This is a big deal for their membership.

Have either one of you calculated a reasonable time period in which such a system can be implemented? I know that it took about 3 years in Ohio. We have a very extensive workers' comp program and everything was stovepiped. I will never forget it. It took them about 3 years to modernize a paper system. Now it is a paperless system, and everybody is so much happier with it. But, how long will it take to put this system in place?

Ms. SPRINGER. Our project plan would call for it to be done essentially in late 2009, early 2010, so it is about the same. It is about the same 3-year period. But the biggest challenge we have is, and I think you probably had in Ohio, is the conversion of the paper into the system. I mean, the software exists. Adapting the software and the functionality for the calculation, that is less time-consuming actually than the data conversion and then the change——

Chairman VOINOVICH. In other words, the software exists? It is not something that has to be developed for your operation?

Ms. SPRINGER. It has to be adapted for the Federal Government, but we are not starting from a clean sheet of paper, a blank sheet of paper. That was the problem that OPM had when they first started this in the 1990s, was to try and build something from scratch, which doesn't make sense for a process that every company in America has to do, which is to calculate pension benefits.

Mr. WALKER. Mr. Chairman, from our standpoint, there is no question it is a multi-year effort. I will be happy to talk to our IT team and provide something for the record with regard to their preliminary observations on how many years it will take.

But I just want to reinforce that, in addition to the data conversion effort, it is very important before one engages in a major sys-

tem modernization effort to take a hard look at current processes and controls and to make sure that they have been modernized before one seeks to automate. That is very important and I know that Director Springer understands that, given her background in financial management and controls.

Chairman VOINOVICH. Is there any way that GAO could help them?

Mr. WALKER. We are happy to take a look at it and provide constructive input. I think it is in all of our interests for them to be successful. At the same point in time, I know Congress has a legitimate concern to make sure that we don't have a repeat of major system development problems that have occurred in the past.

Chairman VOINOVICH. That is for sure—FBI.

Mr. WALKER. I could state a long list.

Chairman VOINOVICH. Another example is at the Bethesda Naval Hospital. It had taken 3 years to put in a computer system out there. I don't know who was in charge, but these stories just drive me up the wall. I cannot believe it. It seems like the left hand doesn't know what the right hand is doing.

Furthermore, completing the RSM project will take until at least 2009 or 2010. There will be a new administration then. How do you guarantee that this project will be completed?

Ms. SPRINGER. Probably the best guarantor of that is that you can have a strong project management system in place, a governance for the project that is driven by career people, not political. Most of the senior team behind me is career. Those are people who are going to be there when I am gone.

Second, having a well-documented, well-designed plan is not a political issue. This is something that, regardless of your political philosophy, you want to have done right. So it is not something that a new administration is going to want to short-circuit. We have gotten bipartisan support for what we are doing—support on both sides of the aisle.

One of the things I have learned during my time in Washington is that the real strength of an organization lies with its career team. We are just sort of the summer help that comes and goes from time to time. But the career involvement in this project is particularly important.

Chairman VOINOVICH. Well, I don't agree with how you describe your role because there is no question that good leadership makes a big difference in a department, and I have seen that in OPM.

Mr. WALKER. Mr. Chairman, can I add real quickly, I agree with you on the leadership point, but I think in addition to a dedicated and capable career civil service—that is absolutely essential—I would also note that the Congress' continued attention to this effort is also an important element to make sure that you can continue to maintain momentum irrespective of what happens in the Presidential election of 2008.

Chairman VOINOVICH. Well, God willing, I am going to be around until at least 2010. I assure you that I am going to stay on top of it with oversight.

Next, you discussed a new way of attracting Federal employees. Have you teamed with Monster to develop a new Website?

Ms. SPRINGER. Yes, we work with them——

Chairman VOINOVICH. So, the ads you discussed are different from the work Monster does?

Ms. SPRINGER. Yes, this is entirely different. The USAJOBS is a place where you go to actually see the announcement of positions. What we are doing here, first with the media campaign, is actually running ads around the country. These aren't PSAs that run in the middle of the night. These are actual paid advertisements, media spots, in areas that have a little bit higher than average unemployment, that have a good student population, and where there is a market that is ripe for a new career. This is about job awareness, and so we will have someone from NOAA or we will have someone from Interior or some other department that will actually tell about what they are doing and how exciting it is and meaningful for public service.

Chairman VOINOVICH. Is it working?

Ms. SPRINGER. It is working. We just started in May, so it has only been a little over a month since it has been running—the first measure of whether it is working is the visits to the special part of the Website to find out more, and we have had 11,000 visits just as a result of the ads we have run. But then the follow-up is important, and the career patterns initiative—again, that is entirely new, hasn't been done before—is where that next step will come in.

Chairman VOINOVICH. One of the complaints I hear is that applying for a Federal job takes so much work and then they never hear back from the agency.

Ms. SPRINGER. Yes.

Chairman VOINOVICH. For example, the Postal Service. They are still recrutiing and administering tests, but the Postal Service is not hiring. So why are they doing this if they are not hiring? This discourages people from considering jobs with the Federal Government.

Ms. SPRINGER. Yes, and that needs to change and that is one of the things that is in our plan. The fact is that we need a shorter timeframe from when the job announcement closes to when there is a notice given back that we want to bring you on. And then from that point, it needs to go faster. So, that is the next step that we are working on. I agree with you, that is still a challenge.

Can I just add one other thing?

Chairman VOINOVICH. Yes.

Ms. SPRINGER. Mr. Chairman, part of the issue isn't so much the technology, it is what agencies do. All the steps are at the individual agency level once the applicant has gone through the technology and through that front door. There is a variety of steps, and as we work with the CHCO Council, we need to shorten some of those steps at the individual agencies in dealing with the application when it comes in.

Mr. WALKER. And Mr. Chairman, if I can add onto that, two notes of caution. We have to be careful to make sure that we have qualitative as well as quantitative measures. You can have a lot of people that are hitting a site or applying for a job, but if they don't have the right kind of skills and knowledge that we need, then it can be misleading.

Second, a major problem is that while we can, and should, leverage technology to a greater extent than we have, nothing takes the

place of the personal touch. Once somebody takes the time and effort to apply, it is really important that there be some human contact at some point in time, within a reasonable period of time, with those individuals or else they will get turned off. I mean, you can have status reports electronically that they can go to the Web and take a look at, but you have got to have some human intervention, because after all, we are a people business and you want to have a positive experience.

Chairman VOINOVICH. Well, what I hear from my constituents, is that the Federal Government does not respond to job applicants. The more people hear that, the less they will want to consider working for the government.

The other thing that I want to know is whether you have worked with agencies to identify the people that they need? There are some specific agencies that have a much greater challenge. Also, I would be interested in knowing what kind of relationship and communication there is between you and the Partnership for Public Service. The Partnership was created, as you know, by Sam Hayman to promote working for the Federal Government.

Working with groups like the Partnership is important. I was at a breakfast today and heard how the government is struggling to hire engineers. Mr. Walker is working on a report to evaluate the workforce for the technical workforce in the Federal Government. OPM needs to look out across the Federal agencies to identify areas where there will be tremendous competition for needed talent with the private sector, or I think is something that is very important.

Ms. SPRINGER. You are absolutely right. We will be competing in a supply and demand environment that is going to shift dramatically over the next several years—already started—to where the demand is going way up and the supply, meaning the talent pool, is going down. There are a number of ways to deal with that. Some of them are the ones that I have shared with you. It is particularly critical in certain occupations. Engineering is one of them, and there are some others. I talk with major accounting firms, and they are having trouble finding CPAs. That is another example. It is always difficult for us to get good chief financial officers and financial staff in government agencies.

There are organizations like the Partnership, and others that we do work with, and we do some joint programs with a number of them, so yes, we are engaged.

What we need to do is, with the CHCO Council, to have more focused job fairs, for example, and really do focus as opposed to just doing them in areas as courtesies or other things. Go to the area where there is going to be an engineer population so that we are able to make contact, that personal touch, with the portion of the talent pool that we really need. So, yes, that is a way that we need to focus.

All the CHCOs are doing succession planning right now. Under a plan, they have to get those done. When we see where those particular needs are, we will be able to coordinate our efforts.

Chairman VOINOVICH. If I asked you today, are there on file succession plans for all of the Federal agencies that are really substantive, what would the answer be?

Ms. SPRINGER. No.

Chairman VOINOVICH. How many agencies have them?

Ms. SPRINGER. Well, I can't answer that, but I will know pretty soon because we have got a date in our own plan. We are holding ourselves accountable for making sure that the agencies get those up to speed. I don't remember the exact date. It may be this fall. I am thinking it is maybe by the end of the fiscal year. So at that point, I will have a better read. But there is really that whole risk analysis, the risk of how many are scheduled to leave, how many will leave, what is the risk and the vulnerability to the agency, that is a process that many of the agencies are still working right now. I would be surprised if half of them are as robust as they ought to be.

Chairman VOINOVICH. Half of them?

Ms. SPRINGER. I would be surprised. But by the end of the fiscal year, I think is the point at which we will double-check again and see exactly where they are.

Chairman VOINOVICH. Is that taking into consideration when they are evaluating for the President's Managemen Agenda?

Ms. SPRINGER. On the scorecard? Yes.

Chairman VOINOVICH. What is your impression of the Government Performance and Results Act (GPRA)? One of the things we found is that when the GPRA reports are filed each year, they did not include anything dealing with human capital. Is human capital being included in GPRA reports?

Ms. SPRINGER. Well, I don't know if we have given a specific directive. It should be. One of the things that we need to deal with, candidly, and I see it now as an agency head, is that there are many requirements that are put on the human resource community. What we have got to make sure is that we are not spending all our time just in a compliance mode but actually doing something that is meaningful and will lead to some sort of action. So whether it is GPRA, which is great, or a scorecard or some other things, we have to make sure that all those things bear fruit and they don't just become a compliance exercise.

Chairman VOINOVICH. One of the things that we set up was the CHCO Council. Mr. Walker and Ms. Springer, do you think the Council has done the job that it was expected to do? My vision for the Council was that it would meet, share ideas, and build relationships to share best practices. To my knowledge, that has not happened. Is that fair?

Ms. SPRINGER. I think it is fair. I think it has had a modicum of success, but it hasn't realized its full potential. I think, correctly, the GAO report acknowledges that and points it out as an area of opportunity for us. We have done some things. We have realigned the committees. We have brought them into meetings with OPM for planning.

The one place where I would say we really worked well together was on Hurricane Katrina, and getting guidance out and understanding the needs of the human capital community. We are doing it now again with developing this pandemic flu guidance, where the Emergency Preparedness Subcommittee is very engaged. So those are models that we need to build on.

But it hasn't realized its full potential. We have a new executive director, as you know, and we are going to take some steps. We

have created the new position of a deputy CHCO, which wasn't there originally. That is modeling after this CFO Council. That allows us to make sure we have good continuity from administration to administration and lets us dig down deeper into the organization. These CHCOs often wear several hats in management roles, and so it is helpful to have another person, and that will help them to be engaged in more ways with us.

So there are a number of steps we need to take. I think we can make a lot of progress over the next year.

Chairman VOINOVICH. I would like to identify where it hasn't reached its potential. I would like to work with you to set goals to evaluate the Council.

The other thing is that when we got the legislation establishing the Council was passed, one goal was to bring a high-level commitment to the importance of human capital. Again, anecdotally, my understanding is that it really hasn't happened. I would like either one of you to comment on that situation.

Ms. SPRINGER. Could I just say one thing and then defer to my colleague?

Chairman VOINOVICH. Yes.

Ms. SPRINGER. One of the things that I think happened with the Council, and why it wasn't as effective, candidly, and I am being honest with you here, is, I think, the meetings came to be just an opportunity largely for OPM to convey information, as opposed to a real strong interaction and engagement. I saw the same thing with the CFO Council when I first came in there, where it became an opportunity for OMB to present information. What we need to do is make sure that it is a two-way dialogue, it is not just a vehicle for making announcements by a central agency.

As far as our own commitment, we had the CHCO Executive Committee review our strategic plan and give us input on it. That is about the highest level of engagement we could have, not just our own CHCO, but the CHCOs of other agencies. So, I think you are right, we need to expand that level of engagement.

Mr. WALKER. Mr. Chairman, I would say that I agree that it is important to have effective two-way communication through the CHCO Council. It is not just OPM disseminating information, it is information being pushed to OPM.

Second, I think there are additional opportunities for the Council to employ, what I would call, a matrix approach, whereby they have responsibilities relating to their own individual department and agency and then assign selected CHCOs to be the point person on a horizontal or government-wide challenge so that they are focused not just on their own agency, but across agencies, creating taskings and partnerships to move forward.

In that regard, two areas in particular where I think we need more progress would be critical skills gaps, which has been touched on already in this hearing, and performance management approaches. The performance management approaches that are taken by most Federal agencies are abysmal, and if we really want to try to transform what the government does, how the government does business, if we really want this to be a more results-oriented government, then we need to modernize our performance management systems, because people will behave based upon how they are

measured. If we can end up aligning institutional, unit, and individual performance measurement reward systems, we can achieve great progress in a reasonable period of time. But in many cases, the systems just aren't anywhere close to cutting the mustard.

Chairman VOINOVICH. Well, again, I beleive the jury is out on the pay-for-performance system for the Senior Executive Service. At some places, it has been successful. In other places, it has not been effective. OPM has to work with agencies that are facing challenges. If the systems for the SES are not successful, agencies will not be successful with strong performance management for the rest of the workforce.

I have to tell you, and I don't think I have shared this with Ms. Springer, that Senator Akaka and I had a really good oversight hearing on the new National Security Personnel System. It looks like they have done a good job communicating information about NSPS for Spiral 1.1. It seems to me that one of the jobs that OPM should have is to identify successes to share through the CHCO Council. It is not effective for agencies to individually try to figure out to address problems.

Mr. WALKER. I think it is real important, Mr. Chairman—there are two afflictions that are prevalent in government and we have got to figure out ways to deal with them. One is myopia, or nearsightedness, focusing on today. The second is tunnel vision, just focusing on more of a particular span of control without looking horizontally. Councils like the CHCO Council and the CFO Council and others provide an opportunity to help people not just focus on their turf, but also to look horizontally, to share best practices, and avoid common mistakes.

The last thing I would say is, I understand there have been different experiences with regard to pay-for-performance, and that is a major transformational change. I would respectfully suggest that we must modernize our performance management systems. That must happen first, because unless and until we do that, you are not in the position to effectively implement a pay-for-performance system credibly, equitably, and in a sustainable manner. So it is really important that we do first things first and there needs to be much more progress in that area.

Chairman VOINOVICH. I have introduced legislation that I think moves in that direction. I have heard that the General Services Administration, under Steve Perry, has improved its performance management program. I don't know if you have evaluated their work, but the concerpt is that each employee's performance should be tied to the organization's goals. Somebody asked me, why is this important, and I said, well, people like to know whether they are doing a good or bad job. There should be a meaningful discussion of what they do to advance the goals of the agency.

I think that strong performance management is really important, and I think my legislation would help move the Federal Government in that direction. Except for DHS and DOD, the Federal Government doesn't have this mandate.

One of the things that I think you should understand, Ms. Springer, is that how well you do during the next couple of years is going to have a lot to do with whether or not Congress considers additional reforms. I suspect that in the next election, Civil Service

reform will be an issue. The unions are not happy with reforms underway at DHS and DOD.

So the quality of what you are doing is going to have a major impact on whether these reforms continue. You must engage the unions in this work. After an NSPS oversight hearing in April, I sat down and discussed it with the union witness. He was very interested in working with Congress and the Department of Defense.

In the next couple of years, you are going to have to prove to the rank and file civil servants that this is really a good thing. These changes will help foster an excited group of people, that are going to get a better chance to improve their career in the Federal Government. I think that is a real challenge, because if we don't do it right, or it looks like it is not working, then I think the reforms may end.

That gets back to the issue of involvement of people. Mr. Walker, your report shows that OPM involves people at the top but is not as successful engaging the rank and file. It is not what it should be. I would like you to comment on how you think that situation could change. It gets back to Total Quality Management which is to take care of your internal customers first so that they can do a good job of taking care of your external. If you ignore the internal, then you are not going to be able to do a very good job with the external. Ms. Springer, would you tell me about what you are doing to change that?

Ms. SPRINGER. Absolutely, and you are right, it is a question of engagement. When people are ignored, when people are left out, when they don't have an opportunity to comment, when they don't know what they are doing, how what they are doing affects the overall mission, people are going to be very dissatisfied. You are going to have disengagement and you are going to have bad morale and you are going to have bad results on surveys, and that is exactly what we had at 2004.

What are we doing to fix that? I will give you an example, and I am not saying this to throw stones at anyone, but if you have a senior leadership team working across the street from one of your processing offices, one of your important offices, and that team doesn't take the time to go across the street and visit with their own employees, then that sends a very strong message that you don't really care about them, and that was the kind of environment that was there. I am not saying it was intentional, but how else can you take it if you are one of those employees?

We have set up a website. It is called "My Ideas." I get e-mails directly from any OPM employee anywhere in the world and we get back to them. I give them a commitment of two things. I will read it and they will get an answer, and they will get an answer quickly, and that always happens.

We have webcasts where we go on, with other senior managers, live on the website. Anyone can dial up from wherever they are. We have people who telework. They can get right on. And they can real-time e-mail us questions and we answer them. They are engaged.

There is a new sense, and it is not just me, it is the members of this team, of people going out and we want to hear from them and we actually put their ideas into practice. When we get things

done each month, the goals, the whole agency celebrates, not just one office, and there are novel ways of doing that. They don't cost much, an ice cream social, for example, where senior managers serve ice cream to people. But we have got newsletters. There are things that weren't there before, lots of engagement for the employees.

The goals weren't set by an outside consultant. They were set by members of OPM. They were reviewed by a number of outsiders, but they are the employees' goals, so they have ownership. It is not just handed to them or done to them. They are their own goals, and their own performance agreements, not just SES, but every member of OPM has a goal or goals to some degree or another that they can see tied directly to that strategic plan and operational plan.

Chairman VOINOVICH. How many people were involved in putting that plan together? You have a strategic and operational plan that I have been very impressed with, but how many of your top managers provided input and did you get any input at all from the rank and file?

Ms. SPRINGER. Yes. We had the senior team plus another 50 members of OPM, both general schedule and SES, that I met with 10 or 11 times, every week. I didn't take a step forward without that group of 50 reviewing what we did and them giving us direction. So they are their goals.

That is just the starting point. Now, you have to show that you have a successful culture and you reward it and you acknowledge it. You go up to our site in Pennsylvania that has hundreds of employees and you go out and shake hands and you listen to people. I have people that literally came up to me in tears in the beginning of June because it was the first time that they really had people to come and interact and listen to them.

That is what is different now. It is the whole sense that these are people. The agency is not so huge that you can't interact. That is one of the great advantages we have. And so people are engaged. They understand what they are doing. They are getting acknowledged when they succeed. Leaders make sure they have what they need to succeed, and that is what is going to turn it around. That is why I am confident when we get this 2006 survey that is going to be done in August at OPM, that you are going to see a huge change, just a huge change.

Chairman VOINOVICH. That is terrific. I chair a Subcommittee in the EPW Committee which has oversight of the Nuclear Regulatory Commission. I am spending a lot of time working with the NRC. I am talking to them about implementing total quality management. It is involvement of people in the decisionmaking that drives continuous improvement. That is the excitement that makes an organization, I think, really outstanding.

Mr. Walker, during your review, did you identify any particular area of concern or significant skill gap that OPM must address in order for it to successfully lead the Federal Government's human capital transformation?

Mr. WALKER. One of the areas that OPM needs to continue to make progress on is the plan that was issued in March. I believe it is excellent, it is very transparent, it has specific goals, and specific time frames. However, I think they need to continue to update

their more comprehensive workforce plan and what type of skills and knowledge they are going to need to achieve their objectives in the future. Given the nature of OPM, its business is going to change in the future, their role and functions are going to change, what type of skills and knowledge they are going to need and what relative quantities, what items can be automated, what items should be core to the Civil Service, what items might we look for alternative sourcing approaches.

I think that is an area where, I think, there is more time and attention that needs to be focused. It is a major undertaking, because you are really talking about OPM being fundamentally different in the future than what it was 10 years ago, in many ways.

Chairman VOINOVICH. This is one area where I thought the CHCO Council would be effective. For example, sharing best practices to encourage telework. Which agencies really are making use of telework? Is that kind of information being shared with other agencies?

I am familiar with the Defense Finance and Accounting Service. They really are utilizing the ability to telework. For example, how many agencies today have telework? Do you know?

Ms. SPRINGER. Yes, we do. We have a survey going on right now. We will have the results of that. It is small. Some are doing more than others. Patent and Trademark Office does it. In fact, we featured them at one of our press briefings to roll this out. The Council is the vehicle we should be using to amplify these best practices.

Chairman VOINOVICH. The thing is, OPM has to look down the road and envision the Federal Government is going to compete for talent. I think that the government should be strongly advocating telework. There are a lot of fabulous people out there with great skills who, for example, are moms at home and can't come to the office every day. I have an example in my own family—my own daughter-in-law. She has four kids. She gets up at 4 o'clock in the morning and works from a secure computer at home. She also goes into the office once a week. She worked for this organization before. They love it, and she is making a contribution.

The point is that there is going to be a lot more of that. Everybody is going to be looking at different flexibilities. We have got a whole different world that we are living in today. If we are going to be the employer of the 21st Century, the government ought to be looking around and seeing what other organizations are doing. Law firms are doing it. Accounting firms are doing it. That is one way we can stay up there and be competitive and not fall behind the private sector.

Ms. SPRINGER. Mr. Chairman, you have been the best advertiser for what we are doing and have just launched, which is that we need to identify all those patterns, alternate work sites, telework is one of those patterns. There are lots of them. Mobility—there are people who want to come in government and out of government. They want to come mid-career or late-career. Retirees don't want to necessarily leave altogether. They might want a reduced, limited basis work schedule. There are people who want to come for just a particular mission or particular role. They want to put in systems and do that from agency to agency, and then they are almost like an internal consultant, if you will.

But there are all kinds of arrangements, and that is our initiative, a 21st Century approach to attracting talent. It is exactly what you just articulated. But it is not enough to just dump this idea out to agencies and say, here it is, have at it. You have to have a tool to help the agencies to take their positions and say, which of these patterns work? Does telework work for this kind? That is fine. Here are the flexibilities that the U.S. Congress has given you that might help attract somebody for that pattern.

And even beyond all that, one of the things, and it goes with Mr. Walker saying that what we need to do in a new role is train leaders to manage in these environments, because it takes a different type of manager and our managers today aren't necessarily going to be good managers in these types of relationships. So that is one of the big things we have on our plate to do.

Chairman VOINOVICH. Well, it gets back to something Mr. Walker said. If there is an agency successfully implementing telework, the CHCO Council is an appropriate venue to explain to other agencies the success. This could encourage other agencies to explore implementing a new program, like telework.

Ms. SPRINGER. Right.

Chairman VOINOVICH. The Council should spread best practices.

Ms. SPRINGER. Yes. And he is here to hear you say that today. We did actually do that at our roll-out of this and it is the first of many more times that we have to do it. We had PTO, we had Interior, and we had part of OPM. The actual employee was there saying how this works. There was a mother there saying, "Here is how I am able to telework at home and here are the tools I have to do it." She works for PTO. And someone from Interior and someone from OPM. So we are starting to do it. We need to do a lot more of it and the CHCO Council is the place to do it.

Chairman VOINOVICH. OK. This gets back to one other thing, and neither one of you answered the question on this. What is your assessment of the status of the CHCOs in the departments? Mr. Walker, I don't know if you have had a chance to look some of these over. I would like your opinion about this. The goal of the CHCO Council is to elevate the role of human capital in the departments. Has it happened?

Mr. WALKER. That is an area I think we need to do more work on, but I will tell you this. There is absolutely no question that the human capital function needs to be elevated, it needs to be much more strategic, and it needs to employ much more forward-looking, creative, and integrated approaches. In some cases, the people who are in those jobs are well-suited to the new future. In some cases, they may not be well-suited to the new future. Merely because this function needs to be something that it hasn't been in the past doesn't mean that the existing players can achieve that objective. You have to analyze that, because you have to earn people's respect to be a strategic player, to be at the table with top management and in order to be able to add that value.

I would like to reinforce something that you touched on before. In my view, with the major transformational challenges that we face, not just in the human capital area but overall, we need to do much more work in the area of benchmarking and best practices,

much more work. Let me give you two examples in the human capital area to try to help bring it home.

In my view, there are two key dimensions. One dimension is, what are the major challenges that we face? Examples of that would be critical skills gaps and inadequate performance management systems. Those are just two of many examples. So what are the critical challenges that we face across government? And then second, what are effective tools or strategies that can be employed in order to address the key challenges that we face across government? Those could include things like telework or student loan repayments, pay-for-performance systems or whatever.

We need to create these matrices where we are saying, here are the big challenges and here are the strategies. Let us make sure that we have mechanisms that provide benchmarking information while sharing best practices. Let us tap a key player, not only just within OPM, let us tap a key player within the CHCO Council to have some responsibility for each of these so we can end up fighting the siloism, the tunnel vision, and the focus on today and start helping to create a more positive future quicker than otherwise might be the case.

Chairman VOINOVICH. If you can do it in the Executive Branch, maybe we can do it in the Legislative Branch.

Mr. WALKER. Well, Mr. Chairman, I have said this before. I think the Congress is a critically important player in our constitutional form of government. There is a reason that it is Article I in the Constitution. There is a reason that it is on the Hill. At the same point in time, realistically, in major transformational efforts, you have to start with the Executive Branch because the Executive Branch at least has a CEO.

Chairman VOINOVICH. Right.

Mr. WALKER. So you have got a point person who is responsible and accountable. But I do think the Congress is going to have to make some major changes, too. It is not well aligned to meet the challenges and capitalize on the opportunities of the 21st Century.

Chairman VOINOVICH. I agree with you. I just think we are not looking at the big picture, I call it stovepipes. For example, funding MAX HR for the Department of Homeland Security. Does he ask you for help?

Ms. SPRINGER. Well, no, not on the budget. Obviously, we want them to be successful. We haven't been engaged in the budget. We have been engaged in other ways to try and steer them to achieve success. We think that in the area of their personnel reform, especially once they get a permanent new Under Secretary in for management, they need to follow the model that has been used at DOD, and DOD obviously has a long history of training and they have an infrastructure, but I think that the whole program management structure they have there is one that would serve them well. Our advice to them has been to, once they get the right people in place, visit with DOD and try to take some steps along that line.

Chairman VOINOVICH. So they have a long way to go?

Ms. SPRINGER. I think, with all the turnover and other things, for the CHCO positions that are vacant right now, they need to get the right people in place first in those key leadership positions.

Chairman VOINOVICH. Well, my observation is that DHS and DOD need chief management officers. They have to have somebody that is going to follow through with transformation. One of the things that I am really concerned about, again, is Congress making more organizational changes. We are going to try and redo FEMA all over again, and I just think it is crazy. I really do. I just think that the Secretary has got his hands full and now we are talking about changing again. He has got 2½ years, and what Congress ought not to be doing is spending time debating the FEMA organizational chart. It just doesn't make any sense to me.

I just think that the Administration should be more aggressive in coming to Congress and saying what they need. That is one area that I am really concerned about. Mr. Walker, you talk to these people. I just think at this stage in this Administration, we ought to be just telling DHS to focus on its mission and not another reorganization. Even if it started now, it will not be done by the end of this Administration. Does anyone want to comment on that?

Mr. WALKER. Well, I think that we need a reasonable degree of stability in order to be able to execute on critical areas that need to be focused on. As you know, some of these organizational issues are not just internally driven. In some cases, Congress is looking into possibly restructuring.

We have done work with regard to what went right, what didn't go right with regard to Hurricanes Katrina and Rita, and one of the things that we talked about is you need to have, among other things, a person responsible and accountable for a major emergency who reports directly to the President of the United States in the wake of a catastrophic event. That does not necessarily mean that FEMA has to be outside the Department of Homeland Security. There are ways to accomplish the objective without unbundling that organization, and I think Congress and the key players need to focus on the substance, rather than the form, of a lot of the challenges that we face, so we can focus more on achieving results.

Chairman VOINOVICH. Exactly, and it gets back to a management principle. I have spent over 18 years managing in the Executive Branch. My observation is, you can have a structure that may not be perfect, but if you have the right individuals, you can be successful. You can have a perfect structure, but if you don't have the leadership, it is not going to work. I think that is where we are right now. They need consistent leadership at Homeland Security. They have the right people. Give them the job and let them go out and get it done instead of debating the organizational structure. Then what happens is officials spend time coming up here to testify when they should be out in the field emphasising getting the job done.

Mr. WALKER. Mr. Chairman, when I first came to GAO in November 1998, I worked together with all our top executives and got input from our employees to be able to come up with our first ever strategic plan in early 2000 and then to realign the organization to support that plan. I made those decisions early and we got it behind us. You need some stability in an organization so you can focus on achieving positive results. When people are worried about where their organization is going to be, or where they are going to be, that has an automatic undercutting of productivity.

Chairman VOINOVICH. And it doesn't help in recruiting, either.

Mr. WALKER. No, and I also agree that if you don't have the right leaders, nothing else matters.

Chairman VOINOVICH. Listen, that is a great way to end this hearing. I really appreciate the fact that the two of you have been here. I think this has been very helpful to us. We continue to look forward to working with you. Keep it up. To your team back there, we are very proud of you. You are really stirring the pot and getting things done. Thanks for following Ms. Springer in her efforts. She is only as good as you guys are. Thank you for what you are doing.

This hearing is adjourned.

[Whereupon, at 11:42 a.m., the Subcommittee was adjourned.]

APPENDIX

STATEMENT OF THE HONORABLE LINDA M. SPRINGER
DIRECTOR
OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

on

THE RIGHT PEOPLE?
OVERSIGHT OF THE OFFICE OF PERSONNEL MANAGEMENT

JUNE 27, 2006

OPM One Year Later – A State of the Agency Report

Mr. Chairman and Members of the Subcommittee:

One year ago, I took the oath of office to become the eighth director of the Office of Personnel Management (OPM). My management objective at that time was to raise the agency's performance level by instituting business disciplines and practices. These fundamentals would be essential to achieving my ultimate goals for OPM – operational excellence and strategic creativity. My message to you today is that demonstrable progress has been made and we are beginning to realize that goal.

Revitalizing Leadership

Since organizations reflect the quality of their leaders, step one in this transformation process was to evaluate, reconfigure and, in some cases, replace the agency's senior officers. By a combination of internal promotion and external hires, fifty percent of OPM's senior management positions have been revitalized. Seated before you today are members of our current senior leadership team, which now interacts with a candor, imagination, and mutual encouragement that were previously absent.

Engaging Staff

Effective organizations ensure and value their associates' connectivity to the mission. However, surveys as recent as 2004 demonstrated that this was not the case at that time for significant portions of OPM – particularly for thousands of associates in the 59 extra-Washington, DC offices nationwide. I was disappointed to learn that my visits to these offices were frequently the first by a Director in ten or more years. It is not surprising that staff indicated their lack of awareness of OPM's goals and objectives when the highest level of leadership was so detached.

Improved communication with our associates in all offices has been reestablished. Using a variety of means ranging from on-site visits to nationwide web casts with live Q and A, we are reuniting the agency, raising morale, providing a flow of ideas to and from associates, and improving the responsiveness of our operations. Maintaining this high level of local engagement is essential to servicing the national Federal workforce, most of which is stationed outside of Washington, DC.

Setting the Course

Achieving excellence in what an organization does assumes its objectives have been defined. To do that at OPM, a fresh set of strategic and operational goals was needed. In a departure from the past, this planning effort sought primary guidance from the men and women of OPM. The collective current first-hand knowledge and expertise of fifty associates from both the Senior Executive Service (SES) and General Schedule ranks, coupled with the direction and vision of the senior leadership team has resulted in our new plan. Among others, the plan was reviewed by members of the Executive Committee of the Chief Human Capital Officers Council. It is significant that the largest section of the plan is devoted to making OPM a "model of performance" - recognition that we must take important steps to achieve the organizational excellence which we value.

The 2006-2010 Strategic and Operational Plan is distinctive in its clarity, candor and specificity. Unlike predecessor plans that were laden with narrative, this plan is dominated by an action-oriented to-do list of approximately 170 deliverables, each with a due date. This unparalleled transparency has received extensive praise and has been described by The Washington Post both as "strikingly clear and simple and reflecting a no-nonsense, down-to-earth style."

Creating Accountability

Achieving the goals of the plan would require one more managerial component – incorporation of the organization's goals into those of our staff. Accordingly, OPM

associates now have objectives that are tied in some measure to the plan. Performance agreements for senior executives were completely redesigned to give 75 percent weighting to achievement of plan goals. This direct linkage creates a level of accountability and ownership – particularly for the senior executives whose compensation is a function of performance – that gives greater assurance that goals will be achieved and creates an "esprit de corps" environment.

Achieving Results

Having taken these positioning steps, OPM is now ready to raise its operational performance. Associates are focused on their goals, and leaders are supporting their staff. Progress for all plan goals is being monitored using a chronological tracking system, a copy of which is attached. The 2006 section of this tool is available on the OPM website at www.opm.gov/strategicplan/2006/StrategicPlan_goals.pdf for all to see.

The result is that we have achieved every plan objective scheduled to date, on time, since its introduction in March and several more ahead of schedule. By achieving these tangible and important deliverables, we are creating a success culture at OPM – one that we reinforce monthly when each new group of goals is accomplished. Next month, we plan to have a special ice cream celebration with associates served by the senior staff. I extend an invitation to all of you to join us.

Funding the Effort

OPM is delivering on our responsibility to lead the Federal workforce human capital planning effort. Releasing the first phase of our planning guidance for pandemic influenza event in advance of President Bush's August deadline is just one example of our enhanced service approach. It is indicative of our commitment to timely, as well as accurate, guidance to the human capital management community.

Continued improvement in our customer service will require something more than diligent management and a dedicated workforce. Full appropriation by the Congress of our budget requests is essential for OPM's continued success. Anything short of our requests, including that for Fiscal Year 2007, will jeopardize the timeliness and outcome of our initiatives.

Particularly noteworthy in this regard is the Retirement Systems Modernization (RSM) project. FY 2007 funding for RSM has recently been eliminated from our appropriation bill by the House of Representatives. This unfortunate development must be remedied – first by the Senate and ultimately in conference. Otherwise retirement calculations – yours and ours – will continue to suffer the effects of a vintage 1950s paper process characterized by 144,000 file drawers – enough to pave the streets from this hearing room to Baltimore and back. Fixing this disgracefully outdated process is my highest priority and I hope the Members of the U.S. Senate will make it one of yours.

Leading Creatively

While continuing on the path to organizational excellence, OPM is breaking new ground in leading the Federal Government's efforts to ensure there is an effective civilian workforce into the future. Just as we are moving our internal capabilities from outdated processes, we are introducing Federal agencies to concepts for reaching and hiring the next generation of civilian employees. In the span of only a few months, OPM has fast forwarded beyond decades of worn out practices to initiate the first two of our three pronged approach for bringing workers to the Government.

In early May, OPM launched a first ever media campaign to raise awareness of the wide range of Federal civilian job opportunities. Four Federal agency employees were highlighted in television commercials produced by OPM. These commercials have run in several states and will continue in the coming months. Evidence of their effectiveness is already showing up in the thousands of increased visits to our USAJOBS.gov website in the coverage areas. More ads are in the planning stages.

In addition to raising awareness throughout the country, OPM introduced, in early June, the new Career Patterns approach for hiring. This initiative moves Federal agencies away from the limited hiring model currently in place to a 21st century approach that recognizes the wide variety of employer-employee relationships that are relevant to today's job seekers. Using OPM's analytic tool that comes with our Career Patterns guide, agencies will be able to improve their job marketing success by offering opportunities that articulate the range of available patterns and the supporting environment (including use of existing flexibilities), as well as the traditional professional qualities.

When these two components are joined by the more efficient hiring process that will be the third initiative, OPM will have positioned Federal agencies to meet the hiring demands of the future – demands that will increase dramatically as we face the retirement eligibility of 60 percent of our workforce over the next ten years. In a talent market where demand will outstrip supply, OPM's foresight and leadership will prove vital in keeping us competitive

Looking Ahead

As I stated in my strategic plan message, "we are committed to our principles, committed to our goals and committed to accomplishing our mission – to ensure the Federal government has an effective civilian workforce." We look forward to reporting our continued progress to you and seeing the benefits of our work for the men and women of the Federal workforce and the American public.

I will be glad to respond to your questions.

OPM
One Year Later

A State of the Agency Report

Revitalized Management

Engaged Staff

Clear Course

Agency-wide Accountability

Achieving Results

Transformative Leadership

United States Office of Personnel Management

Working for America

HUMAN CAPITAL PLANNING FOR PANDEMIC INFLUENZA

Information for Agencies and Departments

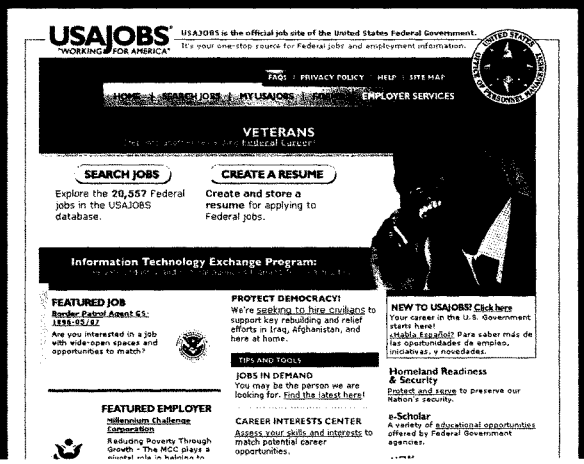
U.S. Office of Personnel Management
2006

What did you do at your job today?

All over the world, U.S. government employees are doing exciting jobs on behalf of our country.

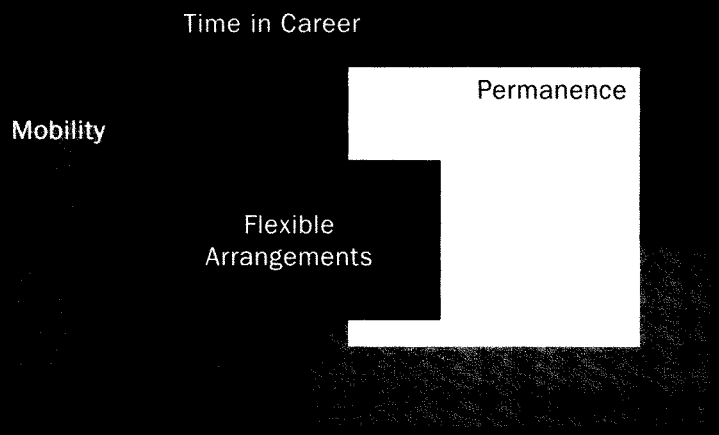
Check it out, join us, make an impact!

USAJOBS.gov/impact



Career Patterns

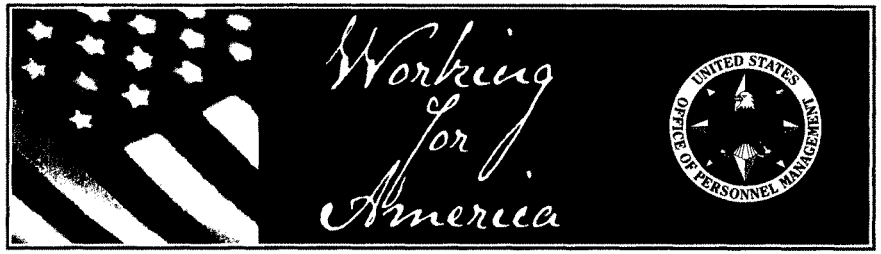
A 21st Century Approach to Attracting Talent



A GUIDE FOR AGENCIES

June 2006

United States Office of Personnel Management



UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT

Operational Goal Tracking

Strategic and Operational Plan

2006–2010

Deadline	Operational Goal	Goal ID	*Date Completed*
March 1, 2006			
	Use the agency-wide Document Management System in 250 person pilot group by March 1, 2006, *and extend through the agency by October 1, 2006*	E-11	*February 27, 2006*
	Identify and initiate at least one project on which to work with Members of Congress by March 1, 2006	G-3	*March 1, 2006*
April 1, 2006			
	Develop pilot program for eliminating interim payments; identify two agency participants in pilot program by April 1, 2006; *finalize 50% of initial retirement benefits by first payment due date (eliminating interim payments) by January 1, 2007; and evaluate program and expand pilot to additional agencies in 2007*	B-7	*March 30, 2006*
	Complete all routine OPM clearances in seven business days starting by April 1, 2006	E-9	*March 31, 2006*
	Develop guiding principles to be updated, published and required for FEHBP carriers by the FY 2007 call letter mailing	E-19	*March 24, 2006*
May 1, 2006			
	Award Retirement Systems Modernization contracts *and begin implementation for Defined Benefit Technology Solution and Business Transformation/Information Technology Service* by May 1, 2006, *and June 1, 2006, respectively*	B-3	*April 28, 2006*
	Operate under a fully implemented set of delegated authorities and clearance protocols by May 1, 2006	E-10	*April 28, 2006*
	Revalidate requirements for financial management system migration to Bureau of Public Debt by May 1, 2006; *complete implementation by February 1, 2007*	E-22	*April 28, 2006*
June 1, 2006			
	Award Retirement Systems Modernization contracts and begin implementation for Defined Benefit Technology Solution and Business Transformation/Information Technology Service *by May 1, 2006,* and June 1, 2006, respectively	B-3	*May 23, 2006*
	Identify Federal Government workforce Career Patterns (see Appendix E) for the future with accompanying requirements/impact by June 1, 2006	C-1	*May 26, 2006*
	Have the OPM Beta site operational by June 1, 2006	E-5	*May 31, 2006*
July 1, 2006			
	Establish performance measurement criteria by July 1, 2006, and collect data for determination that DOD may implement NSPS beyond initial 300,000 employee limitation	A-4	
	Streamline and improve the examination rating schedules for common occupations by July 1, 2006	C-6	*June 12, 2006*

Deadline	Operational Goal	Goal ID	*Date Completed*
	Develop and roll out a plan with the CHCO Council to work with the Presidential Management Fellows (PMF) Program to recruit top talent for positions in management by July 1, 2006	C-7	
	Implement performance elements and standards for all OPM employees that support the OPM Strategic and Operational Plan by July 1, 2006	E-1	
	Implement an employee recognition program at OPM by July 1, 2006	E-3	*June 19, 2006*
	Develop a group employee incentive program for the Human Resources Products and Services (HRPS) Division that factors in the uniqueness of HRPS as a reimbursable business operation by July 1, 2006; *implement pilot program in Center for Talent Services by October 1, 2006*	E-6	
	Develop performance standards for OPM common services by July 1, 2006, *and implement by October 1, 2006*	E-7	
	Develop new common services methodology by July 1, 2006; *implement by October 1, 2006*	E-14	
	Issue new internal control guidelines by July 1, 2006	E-15	*April 24, 2006*
	Set up a Capital Investment Committee that will review and approve major capital expenditures by July 1, 2006	E-18	*April 19, 2006*
	Develop and post on internal OPM website a functional organizational directory by July 1, 2006	E-29	*May 11, 2006*
	Implement a plan to increase public awareness of professional development opportunities in the Federal workforce by July 1, 2006	F-1	*May 2, 2006*
	Acknowledge receipt of all Congressional inquiries within 24 hours by July 1, 2006	G-1	*May 16, 2006*
	Provide communications of OPM positions [to Congress] on routine issues within two days by July 1, 2006	G-2	*June 12, 2006*
August 1, 2006			
	Implement limited expense health care flexible spending account by August 1, 2006	B-9	
October 1, 2006			
	Review and assist, where needed, agencies in ensuring performance appraisal systems focus on goal achievement by October 1, 2006	A-1	
	Issue a comprehensive catalog of Federal Government-offered professional development programs by October 1, 2006	B-1	
	Evaluate/update OPM educational curricula for relevance and effectiveness in the current human resources environment by October 1, 2006	B-2	
	Make final 90% of initial retirement benefits in 30 days by October 1, 2006	B-4	
	Complete and mail notice in 10 working days for 80% of subsequent change requests by October 1, 2006	B-5	
	Answer 85% of general inquiries within 72 hours by October 1, 2006	B-6	

Deadline	Operational Goal	Goal ID	*Date Completed*
	Update Executive Core Qualifications by October 1, 2006; *complete development of enhanced automated examination tool by April 1, 2007*	C-5	
	Decrease hiring decision timeframes to 45 days from closing date of job announcement to date of offer for 50% of hires by end of FY 2006, *increasing by 10% per year thereafter to 90% in 2010*	C-8	
	Set guidelines for managerial development by October 1, 2006	C-13	
	Develop and operate Beta sites at 18 CHCO agencies by October 1, 2006	D-1	
	Have written succession plans in place at 15 CHCO agencies by October 1, 2006, and meet milestones; *all other agencies by October 1, 2007*	D-3	
	Set targets for closing competency gaps in the Human Resources Management Specialist occupation by October 1, 2006, at all CHCO agencies	D-5	
	Implement a human capital accountability system, including compliance with merit system principles, laws, rules, and regulations in accordance with OPM standards, at eight CHCO agencies by October 1, 2006; *16 by October 1, 2008; and all by October 1, 2010*	D-6	
	Obtain commitment from three agencies for migration to Human Resources Line of Business (HR LOB) Shared Service Centers by October 1, 2006	D-8	*May 3, 2006*
	Develop policy and functional requirements for nine non-core HR LOB subfunctions by October 1, 2006	D-10	*June 8, 2006*
	Implement a professional development program for OPM employees by October 1, 2006	E-2	
	Develop a group employee incentive program for the Human Resources Products and Services (HRPS) Division that factors in the uniqueness of HRPS as a reimbursable business operation by July 1, 2006; implement pilot program in Center for Talent Services by October 1, 2006	E-6	
	Develop performance standards for OPM common services by July 1, 2006, and implement by October 1, 2006	E-7	
	Maintain agency prompt payment performance at 98%; improve divisional performance (non-Investigative Services) 10% by October 1, 2006, *and an additional 10% by October 1, 2007*	E-8	
	Use the agency-wide Document Management System in 250 person pilot group by March 1, 2006, and extend through the agency by October 1, 2006	E-11	
	Publish eight proposed/final human resources regulations during FY 2006	E-12	*May 8, 2006*
	Develop new common services methodology by July 1, 2006; implement by October 1, 2006	E-14	
	Redesign the OPM website by October 1, 2006	E-27	
	Identify two national professional organizations focusing on human resources policy, benefits and employee development and achieve leadership positions in them during FY 2006 *and each year thereafter*	F-4	

Deadline	Operational Goal	Goal ID	*Date Completed*
December 31, 2006			
	Report on SES performance-based pay system results each calendar year	A-2	
	Expand and publicize business case for introduction of reform legislation during 2006	A-5	
	Roll out new dental/vision plan by December 31, 2006	B-8	
	Promote affordable Federal Employees Health Benefits Program (FEHBP) options, which may include additional health savings plan options, each year during strategic planning period	B-10	
	Work with CHCO Council to roll out a more targeted (by learning institution, profession) job fair process in 2006 and expand through strategic planning period	C-4	
	Increase number of CHCO agencies using the USAJOBS position announcement template to 85% by December 31, 2006	C-11	
	Improve performance management practices at 8, *12, 18* CHCO agencies during 2006, *2007, 2008,* respectively, as measured by Performance Appraisal Assessment Tool	D-2	
	Receive an unqualified audit opinion and report no material weaknesses every	E-16	
	Achieve full cost recovery annually for each revolving fund program	E-21	
	Complete 80% of initial clearance investigations within 90 days by end of 2006	E-23	
	Achieve rate of no more than 1% of completed investigations returned as deficient from agency security/adjudication offices each year	E-26	
	Expand the Walter Reed Army Medical Center post-service employment support model to one additional hospital in both 2006 *and 2007*	G-4	
	Identify at least one initiative per year to partner [with unions and employee advocacy groups] and implement beginning in 2006	G-5	
	Simplify CFC participant eligibility rules for use in the 2007 campaign	G-6	
Recurring			
	Implement action plan to ensure OPM is rated in the top 50% of agencies surveyed in the 2006 Federal Human Capital Survey (FHCS) *and in the top five agencies in the 2008 FHCS*	E-4	
	Support Administration strategies to address pandemic threats throughout planning period	E-13	
	Inform OPM customers of the agency's success in meeting the stated customer goals in the 2006-2010 OPM Strategic and Operational Plan within two weeks of each success	E-28	
	Respond to routine [media] inquiries within two hours 95% of the time	G-7	
	Hold Director media briefings twice per year	G-8	

adline	Operational Goal	Goal ID	Date Comple
January 1, 2007			
	Monitor and report on demonstration projects at agencies by January 1, 2007, *and update each year thereafter*	A-6	
	Develop pilot program for eliminating interim payments; identify two agency participants in pilot program by April 1, 2006; finalize 50% of initial retirement benefits by first payment due date (eliminating interim payments) by January 1, 2007; *and evaluate program and expand pilot to additional agencies in 2007*	B-7	
	Categorize positions by new Career Patterns at all Chief Human Capital Officer (CHCO) Agencies by January 1, 2007	C-2	
	Improve hiring practices as measured by CHCO Council-approved applicant and manager surveys at a total of eight CHCO agencies by 2007; *15 by 2008; and all agencies by 2010*	C-9	
	Provide agencies with a competency assessment tool for management candidates by January 1, 2007	C-12	
	Establish a category rating policy/plan by January 1, 2007, *and use for hires by October 1, 2007, at all CHCO agencies*	D-4	
	Introduce model cost transparency requirements for FEHBP providers effective for FY 2007	F-2	
February 1, 2007			
	Revalidate requirements for financial management system migration to Bureau of Public Debt by May 1, 2006; complete implementation by February 1, 2007	E-22	
April 1, 2007			
	Update Executive Core Qualifications by October 1, 2006; complete development of enhanced automated examination tool by April 1, 2007	C-5	
	Increase number of CHCO agencies using the USAJOBS resume format and integrating online applications with their assessment systems to 50% by April 1, 2007; *75% by April 1, 2008; and 100% by April 1, 2010*	C-10	
May 1, 2007			
	Evaluate effectiveness of DOD National Security Personnel System (NSPS) and DHS human resources management system; produce first implementation assessments by May 1, 2007	A-3	
October 1, 2007			
	Include Government contributions to benefits in pay statement disclosures by October 1, 2007	B-11	
	Lay groundwork during fiscal year (FY) 2007 for more refined market adjustments to pay	B-12	

ıdline	Operational Goal	Goal ID	Date Complet
	Begin to operate and hire in the new Career Patterns environment by October 1, 2007, at all CHCO agencies *and expand each year thereafter*	C-3	
	Decrease hiring decision timeframes to 45 days from closing date of job announcement to date of offer for *50% of hires by end of FY 2006*, increasing by 10% per year thereafter *to 90% in 2010*	C-8	
	Have written succession plans in place at *15 CHCO agencies by October 1, 2006, and meet milestones;* all other agencies by October 1, 2007	D-3	
	Establish a category rating policy/plan *by January 1, 2007,* and use for hires by October 1, 2007, at all CHCO agencies	D-4	
	Maintain agency prompt payment performance at 98%; improve divisional performance (non-Investigative Services) *10% by October 1, 2006*, and an additional 10% by October 1, 2007	E-8	
	Report on health information technology requirements results for FEHBP providers during FY 2007	F-3	
	Identify two national professional organizations focusing on human resources policy, benefits and employee development and achieve leadership positions in them *during FY 2006* and each year thereafter	F-4	
	Host and lead a new forum, including private sector thought leaders, for exploring innovative human resources practices during FY 2007 *and each year thereafter*	F-5	
December 31, 2007			
	Report on SES performance-based pay system results each calendar year	A-2	
	Develop pilot program for eliminating interim payments; identify two agency participants in pilot program by April 1, 2006; finalize 50% of initial retirement benefits by first payment due date (eliminating interim payments) by January 1, 2007; and evaluate program and expand pilot to additional agencies in 2007	B-7	
	Promote affordable Federal Employees Health Benefits Program (FEHBP) options, which may include additional health savings plan options, each year during strategic planning period	B-10	
	Work with CHCO Council to roll out a more targeted (by learning institution, profession) job fair process *in 2006* and expand through strategic planning period	C-4	
	Improve performance management practices at *8,* 12, *18* CHCO agencies during *2006*, 2007, *2008*, respectively, as measured by Performance Appraisal Assessment Tool	D-2	
	Receive an unqualified audit opinion and report no material weaknesses every year	E-16	
	Review all FEHBP carriers for compliance with guiding principles at least once during the 2007-2010 period	E-20	
	Achieve full cost recovery annually for each revolving fund program	E-21	

adline	Operational Goal	Goal ID	Date Complet
	Complete 90% of all other investigations by predetermined deadline (varies by case type) by end of 2007	E-25	
	Achieve rate of no more than 1% of completed investigations returned as deficient from agency security/adjudication offices each year	E-26	
	Expand the Walter Reed Army Medical Center post-service employment support model to one additional hospital in *both 2006 and* 2007	G-4	
	Identify at least one initiative per year to partner [with unions and employee advocacy groups] *and implement beginning in 2006*	G-5	
Recurring			
	Implement action plan to ensure OPM is rated in the top 50% of agencies surveyed in the 2006 Federal Human Capital Survey (FHCS) *and in the top five agencies in the 2008 FHCS*	E-4	
	Support Administration strategies to address pandemic threats throughout planning period	E-13	
	Inform OPM customers of the agency's success in meeting the stated customer goals in the 2006-2010 OPM Strategic and Operational Plan within two weeks of each success	E-28	
	Respond to routine [media] inquiries within two hours 95% of the time	G-7	
	Hold Director media briefings twice per year	G-8	

Deadline	Operational Goal	Goal ID	Date Completed
January 1, 2008			
	Monitor and report on demonstration projects at agencies *by January 1, 2007,* and update each year thereafter	A-6	
	Improve hiring practices as measured by CHCO Council-approved applicant and manager surveys at a total of *eight CHCO agencies by 2007*; 15 by 2008; *and all agencies by 2010*	C-9	
April 1, 2008			
	Increase number of CHCO agencies using the USAJOBS resume format and integrating online applications with their assessment systems *to 50% by April 1, 2007*; 75% by April 1, 2008; *and 100% by April 1, 2010*	C-10	
July 1, 2008			
	Develop and implement activity-based cost accounting information available to program managers by July 1, 2008	E-17	
October 1, 2008			
	Begin to operate and hire in the new Career Patterns environment *by October 1, 2007*, at all CHCO agencies and expand each year thereafter	C-3	
	Decrease hiring decision timeframes to 45 days from closing date of job announcement to date of offer for *50% of hires by end of FY 2006*, increasing by 10% per year thereafter *to 90% in 2010*	C-8	
	Implement a human capital accountability system, including compliance with merit system principles, laws, rules, and regulations in accordance with OPM standards, *at eight CHCO agencies by October 1, 2006*; 16 by October 1, 2008; *and all by October 1, 2010*	D-6	
	Complete consolidation and migration of civilian payroll processing by October 1, 2008	D-7	
	Convert 50% of hard copy official personnel folders Governmentwide to electronic format by October 1, 2008, *increasing 20% per year thereafter to 90% by October 1, 2010*	D-9	
	Identify two national professional organizations focusing on human resources policy, benefits and employee development and achieve leadership positions in them *during FY 2006* and each year thereafter	F-4	
	Host and lead a new forum, including private sector thought leaders, for exploring innovative human resources practices *during FY 2007* and each year thereafter	F-5	

adline	Operational Goal	Goal ID	Date Complet
December 31, 2008			
	Report on SES performance-based pay system results each calendar year	A-2	
	Promote affordable Federal Employees Health Benefits Program (FEHBP) options, which may include additional health savings plan options, each year during strategic planning period	B-10	
	Work with CHCO Council to roll out a more targeted (by learning institution, profession) job fair process *in 2006* and expand through strategic planning period	C-4	
	Improve performance management practices at *8, 12,* 18 CHCO agencies during *2006, 2007,* 2008, respectively, as measured by Performance Appraisal Assessment Tool	D-2	
	Receive an unqualified audit opinion and report no material weaknesses every year	E-16	
	Review all FEHBP carriers for compliance with guiding principles at least once during the 2007-2010 period	E-20	
	Achieve full cost recovery annually for each revolving fund program	E-21	
	Achieve rate of no more than 1% of completed investigations returned as deficient from agency security/adjudication offices each year	E-26	
	Identify at least one initiative per year to partner [with unions and employee advocacy groups] *and implement beginning in 2006*	G-5	
Recurring			
	Implement action plan to ensure OPM is rated in the top 50% of agencies surveyed *in the 2006* Federal Human Capital Survey (FHCS) and in the top five agencies in the 2008 FHCS	E-4	
	Support Administration strategies to address pandemic threats throughout planning period	E-13	
	Inform OPM customers of the agency's success in meeting the stated customer goals in the 2006-2010 OPM Strategic and Operational Plan within two weeks of each success	E-28	
	Respond to routine [media] inquiries within two hours 95% of the time	G-7	
	Hold Director media briefings twice per year	G-8	

adline	Operational Goal	Goal ID	Date Complet
January 1, 2009			
	Monitor and report on demonstration projects at agencies by *January 1, 2007,* and update each year thereafter	A-6	
October 1, 2009			
	Begin to operate and hire in the new Career Patterns environment *by October 1, 2007*, at all CHCO agencies and expand each year thereafter	C-3	
	Decrease hiring decision timeframes to 45 days from closing date of job announcement to date of offer *for 50% of hires by end of FY 2006*, increasing by 10% per year thereafter *to 90% in 2010*	C-8	
	Convert *50% of* hard copy official personnel folders Governmentwide to electronic format *by October 1, 2008*, increasing 20% per year thereafter *to 90% by October 1, 2010*	D-9	
	Identify two national professional organizations focusing on human resources policy, benefits and employee development and achieve leadership positions in them *during FY 2006* and each year thereafter	F-4	
	Host and lead a new forum, including private sector thought leaders, for exploring innovative human resources practices *during FY 2007* and each year thereafter	F-5	
December 31, 2009			
	Report on SES performance-based pay system results each calendar year	A-2	
	Promote affordable Federal Employees Health Benefits Program (FEHBP) options, which may include additional health savings plan options, each year during strategic planning period	B-10	
	Work with CHCO Council to roll out a more targeted (by learning institution, profession) job fair process *in 2006* and expand through strategic planning period	C-4	
	Receive an unqualified audit opinion and report no material weaknesses every year	E-16	
	Review all FEHBP carriers for compliance with guiding principles at least once during the 2007-2010 period	E-20	
	Achieve full cost recovery annually for each revolving fund program	E-21	
	Complete 90% of initial clearance investigations within 40 days by end of 2009	E-24	
	Achieve rate of no more than 1% of completed investigations returned as deficient from agency security/adjudication offices each year	E-26	
	Identify at least one initiative per year to partner [with unions and employee advocacy groups] *and implement beginning in 2006*	G-5	

adline	Operational Goal	Goal ID	Date Complet
Recurring			
	Implement action plan to ensure OPM is rated in the top 50% of agencies surveyed *in the 2006* Federal Human Capital Survey (FHCS) and in the top five agencies in the 2008 FHCS	E-4	
	Support Administration strategies to address pandemic threats throughout planning period	E-13	
	Inform OPM customers of the agency's success in meeting the stated customer goals in the 2006-2010 OPM Strategic and Operational Plan within two weeks of each success	E-28	
	Respond to routine [media] inquiries within two hours 95% of the time	G-7	
	Hold Director media briefings twice per year	G-8	

adline	Operational Goal	Goal ID	Date Complet
January 1, 2010			
	Monitor and report on demonstration projects at agencies *by January 1, 2007,* and update each year thereafter	A-6	
	Improve hiring practices as measured by CHCO Council-approved applicant and manager surveys at *a total of eight CHCO agencies by 2007; 15 by 2008; and* all agencies by 2010	C-9	
April 1, 2010			
	Increase number of CHCO agencies using the USAJOBS resume format and integrating online applications with their assessment systems to *50% by April 1, 2007; 75% by April 1, 2008; and* 100% by April 1, 2010	C-10	
October 1, 2010			
	Begin to operate and hire in the new Career Patterns environment *by October 1, 2007*, at all CHCO agencies and expand each year thereafter	C-3	
	Decrease hiring decision timeframes to 45 days from closing date of job announcement to date of offer *for 50% of hires by end of FY 2006, increasing by 10% per year thereafter* to 90% in 2010	C-8	
	Implement a human capital accountability system, including compliance with merit system principles, laws, rules, and regulations in accordance with OPM standards, *at eight CHCO agencies by October 1, 2006; 16 by October 1, 2008;* and all by October 1, 2010	D-6	
	Convert *50% of* hard copy official personnel folders Governmentwide to electronic format *by October 1, 2008, increasing 20% per year thereafter* to 90% by October 1, 2010	D-9	
	Identify two national professional organizations focusing on human resources policy, benefits and employee development and achieve leadership positions in them *during FY 2006* and each year thereafter	F-4	
	Host and lead a new forum, including private sector thought leaders, for exploring innovative human resources practices *during FY 2007 and* each year thereafter	F-5	
December 31, 2010			
	Report on SES performance-based pay system results each calendar year	A-2	
	Promote affordable Federal Employees Health Benefits Program (FEHBP) options, which may include additional health savings plan options, each year during strategic planning period	B-10	
	Work with CHCO Council to roll out a more targeted (by learning institution, profession) job fair process *in 2006* and expand through strategic planning period	C-4	
	Receive an unqualified audit opinion and report no material weaknesses every year	E-16	

adline	Operational Goal	Goal ID	Date Complet
	Review all FEHBP carriers for compliance with guiding principles at least once during the *2007*-2010 period	E-20	
	Achieve full cost recovery annually for each revolving fund program	E-21	
	Achieve rate of no more than 1% of completed investigations returned as deficient from agency security/adjudication offices each year	E-26	
	Identify at least one initiative per year to partner [with unions and employee advocacy groups] *and implement beginning in 2006*	G-5	
Recurring			
	Implement action plan to ensure OPM is rated in the top 50% of agencies surveyed *in the 2006* Federal Human Capital Survey (FHCS) and in the top five agencies in the 2008 FHCS	E-4	
	Support Administration strategies to address pandemic threats throughout planning period	E-13	
	Inform OPM customers of the agency's success in meeting the stated customer goals in the *2006*-2010 OPM Strategic and Operational Plan within two weeks of each success	E-28	
	Respond to routine [media] inquiries within two hours 95% of the time	G-7	
	Hold Director media briefings twice per year	G-8	

United States Government Accountability Office

GAO

Testimony

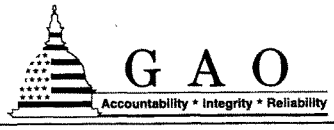
Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

For Release on Delivery
Expected at 10:00 a.m. EDT
Tuesday, June 27, 2006

OFFICE OF PERSONNEL MANAGEMENT

OPM Is Taking Steps to Strengthen Its Internal Capacity for Leading Human Capital Reform

Statement of David M. Walker
Comptroller General of the United States



GAO-06-861T

June 27, 2006

GAO
Accountability·Integrity·Reliability

Highlights

Highlights of GAO-06-861T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

General recognition exists of a need to continue to develop a governmentwide framework for human capital reform to enhance performance, ensure accountability and position the nation for the future. Potential governmentwide human capital reform and likely requirements that the Office of Personnel Management (OPM) assist, guide, and ultimately certify agencies' readiness to implement reforms, raise important questions about OPM's capacity to successfully fulfill its central role.

This testimony addresses management challenges that could affect OPM's ability to lead governmentwide human capital reform efforts. To assess these challenges, GAO analyzed OPM's 2002 and 2004 Federal Human Capital Survey (FHCS) results, data from its 2005 follow-up focus group discussions, OPM's May 2006 action plans to address employee concerns, and OPM's associate directors' fiscal year 2006 executive performance contracts. GAO also conducted interviews with OPM senior officials and Chief Human Capital Officers (CHCO) and human resource directors from CHCO Council agencies.

In commenting on a draft of this statement, the OPM Director said that OPM has addressed many of the challenges highlighted from the 2004 FHCS and achieved many meaningful and important results. GAO agrees and believes OPM should continue to build upon its progress to date.

www.gao.gov/cgi-bin/getrpt?GAO-06-861T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Brenda S. Farrell at (202) 512-6806 or farrellb@gao.gov.

OFFICE OF PERSONNEL MANAGEMENT

OPM Is Taking Steps to Strengthen Its Internal Capacity for Leading Human Capital Reform

What GAO Found

OPM has made commendable efforts towards transforming itself to being a more effective leader of governmentwide human capital reform. It can build upon that progress by addressing challenges that remain in the following areas:

Leadership. OPM Federal Human Capital Survey responses and the fall 2005 follow-up focus group discussions suggests that information from OPM leadership does not cascade effectively throughout the organization and that many employees do not feel senior leaders generate a high level of motivation and commitment in the workforce. Agreement with leaders ability was lowest in one of OPM's key divisions—a unit vital to successful human capital reform. OPM is working to address employee concerns and improve perceptions of senior leaders.

Talent and resources. To align talent and resources to support its reform role, OPM has made progress in assessing current workforce needs and developing leadership succession plans. However, OPM's workforce planning has not sufficiently identified future skills and competencies that may be necessary to fulfill its role in human capital reform.

Customer focus, communication, and collaboration. OPM can improve its customer service to agencies and create more opportunities for dialogue. According to key officials in executive agencies, OPM guidance to agencies is not always clear and timely, OPM's human capital officer structure is often a barrier to efficient customer response, and greater opportunities exist to collaborate with agency leaders. OPM recognizes these shortcomings and has identified improvement actions to address. However, more can be done such as strategically using partnerships it has available to it, like the CHCO Council.

Performance culture and accountability. OPM has made progress in creating a "line of sight" or alignment and accountability across Senior Executive Service (SES) expectations and organizational goals. It needs to build on this progress and effectively implement new performance standards for all employees to support the recently issued agency strategic and operational plan and ensure all employees receive the necessary training.

To meet OPM's current and future challenge to lead governmentwide human capital reform, Director Springer has shown leadership commitment to OPM's transformation by initiating a number of action plans to address employee concerns. While the steps taken by OPM demonstrate progress in achieving its transformation, it must continue on this path by closely monitoring and communicating with its employees and customers, expanding its workforce and succession planning efforts, and continuing to create a "line of sight" throughout the organization.

Chairman Voinovich, Senator Akaka, and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss the capacity of the U.S. Office of Personnel Management (OPM) to lead and implement governmentwide human capital reform. Potential governmentwide human capital reform, and likely requirements that OPM assist, guide, and ultimately certify agencies' readiness to implement reforms, raise important questions about its capacity to successfully fulfill its central role. Director Springer and her leadership team clearly recognize that strategic human capital management is a pervasive challenge facing agencies across the federal government, and overcoming this challenge will require vigorous and sustained leadership from multiple parties—OPM as well as other key human capital players, such as the President; the Office of Management and Budget (OMB); Congress; and department and agency leaders. Since designating strategic human capital management as a high-risk area in January 2001,[1] our work and the work of others continue to show that agencies need and want greater leadership from OPM in helping them to address their human capital challenges.

As we have noted in our 21st Century Challenges report, people are critical to any agency's successful transformation.[2] Transformations have enormous implications for the federal government's "people" policies and procedures, as well as cultures of government organizations. Strategic human capital management is at the centerpiece of this transformation and last fall I testified that OPM should play a key leadership and oversight role in helping individual agencies work towards overcoming a broad range of human capital challenges.[3]

I have testified previously that a governmentwide framework for advancing human capital reform is needed to avoid further fragmentation within the civil service, ensure management flexibility as appropriate, allow a reasonable degree of consistency, provide adequate safeguards within the overall civilian workforce, and help maintain a level playing field among federal agencies competing for talent. Within the human capital community, there is general recognition of a need to continue to

[1]GAO, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

[2]GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: Mar. 4, 2005).

[3]GAO, *Human Capital: Preliminary Observations on the Administration's Draft Proposed "Working for America Act,"* GAO-06-142T (Washington, D.C.: Oct. 5, 2005).

develop a governmentwide framework for human capital reform that Congress and the administration can implement to enhance performance, ensure accountability, and position the nation for the future.[4] Nevertheless, how it is done, when it is done, and on what basis it is done can make all the difference.

I know from my conversations with Director Springer that she agrees that OPM needs to continue and even augment the internal transformation effort underway, and she is putting in place a concerted effort to make that happen. In 2003, we reported that OPM was undergoing its own transformation—*from less* of a rulemaker, enforcer, and independent agent *to more* of a consultant, toolmaker, and strategic partner in leading and supporting executive agencies' human capital management systems.[5] At that time, OPM had taken a number of important steps and had several initiatives underway or planned to improve its overall mission and management performance. For example, OPM has exerted greater human capital leadership through its *Human Capital Scorecard* of the President's Management Agenda to assist agencies in improving strategic management of their human capital. OPM also developed the governmentwide Federal Human Capital Survey (FHCS) to assist agencies and OPM in better understanding specific and governmentwide agency workforce management conditions and practices in the areas of leadership, performance culture, and talent. Most recently, Director Springer announced OPM's television campaign to promote federal employment and has undertaken a greater focus on succession planning to respond to the forthcoming federal retirement wave and undertaken steps to further reduce the length of time for the federal hiring process.

Under Director Springer's leadership this past year, OPM has continued to transform itself by undertaking a number of internal management initiatives to build a results-oriented culture. The results of OPM's 2004 FHCS showed that OPM employees expressed a number of concerns regarding perceptions of agency leadership; talent and resources; customer focus, communication and collaboration; and performance culture and accountability. The FHCS was administered before Director Springer began her term. Also, according to OPM, about half of the senior

[4]GAO, *Human Capital: Principles, Criteria, and Processes for Governmentwide Federal Human Capital Reform*, GAO-05-69SP (Washington, D.C.: Dec. 1, 2004).

[5]GAO, *Major Management Challenges and Program Risks, Office of Personnel Management*, GAO-03-115, (Washington, D.C.: January 2003).

leadership started after the survey was administered. However, we used these results, among other things, to assess some of the issues that could impede OPM's capacity to lead federal human capital reform. I call attention to some of these relevant questions throughout my testimony. We found that OPM is taking actions to address these concerns in a number of areas. For example, in fall 2005, OPM conducted a series of employee focus groups in response to its FHCS results to further understand specific issues underlying the decline and identify actions it could take to help improve the overall agency work environment. In May 2006, OPM issued a series of federal human capital action plans to address employee concerns raised during those focus group discussions. In addition, in March of this year, OPM issued its Strategic and Operational Plan, 2006–2010, and identified a number of activities that OPM plans to implement to improve employee satisfaction.

As you know, the Senate Committee on Homeland Security and Governmental Affairs and your Oversight of Government Management, the Federal Workforce, and the District of Columbia Subcommittee requested that we conduct a review of OPM to identify management challenges that could affect its ability to lead human capital reform efforts. In March 2006, we briefed your staff on our preliminary observations. My remarks today are based on that briefing. Our forthcoming report will provide additional information and recommendations to OPM on opportunities to improve its internal management capacity. We analyzed OPM's 2006-2010 Strategic and Operational Plan to identify activities related to internal transformation. We analyzed OPM's associate directors' fiscal year 2006 Senior Executive Service (SES) performance contracts to identify alignment of strategic goals and individual executive performance. We also reviewed OPM's most currently available workforce and succession plans to examine issues related to talent and resources. We analyzed OPM's 2002 and 2004 FHCS agency results, the most recently available data that OPM is using to identify employee concerns. In addition, we reviewed OPM's analysis of its 2004 FHCS results. (For more information regarding the methodology related to OPM's administration of the FHCS and our analysis of OPM's survey results, see app. I). We also reviewed the results from a series of employee focus groups conducted by OPM in fall 2005 to follow up on its agency 2004 FHCS results, as well as analyzed OPM's May 2006 action plans to address issues raised by the 2004 FHCS and employee focus groups.

We interviewed OPM's five associate directors and other senior-level staff to obtain their views of agency management. We interviewed 21 of the 23 members of the Chief Human Capital Officers Council and their

corresponding agency human resource (HR) directors to gain a customer perspective of OPM's products and services and their views of OPM management challenges. Finally, we reviewed our ongoing work and previous recommendations to OPM on a range of issues related to human capital and other management challenges. We conducted our work from June 2005 to June 2006 in accordance with generally accepted government auditing standards.

We provided a draft of this statement to Director Springer for her comment. The Director expressed concern that the basis for GAO's observations relied heavily on outdated information, specifically from the results of the FHCS administered in 2004. She noted that in many instances, OPM has addressed the challenges highlighted from the 2004 FHCS and achieved many meaningful and important results. We wish to point out that OPM has also relied heavily on the results of the 2004 FHCS and conducted focus groups in fall 2005 to understand the factors contributing to employees' responses on selected items on the 2004 FHCS and to obtain employees' ideas for addressing top priority improvement areas. Further, OPM used the results from 2004 FHCS and 2005 focus group discussions—the most recent data available—and this information was used to form the basis for its recently released (May 2006) action plans to address these issues.

Today, I would like to highlight that OPM has made commendable efforts towards transforming itself to being a more effective leader of governmentwide human capital reform. OPM's recently issued "Strategic and Operational Plan" is a significant accomplishment. While the plan's strength is in its definition of clear, tangible goals and deliverables, it is not clear if the plan adheres to the goals for a strategic plan as contained in the Government Performance and Results Act of 1993.[6] We will analyze compliance of the plan with GPRA and present the results of our analysis in our forthcoming report. We will examine the extent to which the plan's operational steps are consistently linked to a larger strategic vision and set of clearly articulated outcomes. Importantly, in the future, OPM should revisit its organizational structure to ensure it is aligned with the goals and objectives in its plan and make any necessary changes. Doing so will help

[6] The Government Performance and Results Act of 1993 (GPRA) requires federal agencies to focus on achieving results and to provide objective, performance-based information intended to improve congressional and agency decision-making by providing comprehensive and reliable information on the extent to which federal programs are fulfilling their statutory intent.

OPM to improve economy, efficiency, effectiveness, and responsiveness while enhancing flexibility and improving accountability. My statement today addresses how OPM can build upon the progress it has made with its strategic and operational plan by addressing challenges that remain in four key areas:

Leadership. OPM 2004 employee survey responses and the more recent OPM employee focus group discussions suggest that information from OPM top leadership does not cascade effectively throughout the organization. Survey and focus group data also suggest that many employees do not feel their senior leaders generate a high level of motivation and commitment in the workforce. Agreement with leaders' ability to generate motivation and commitment were lowest in the Human Capital Leadership and Merit System Accountability (HCLMSA) division, one of OPM's key divisions—a unit responsible for partnering with agencies and vital to successful human capital reform efforts.

Talent and resources. In an effort to align talent and resources to support its reform role, OPM has made progress in its assessment of current workforce needs and developing leadership succession plans. However, if OPM is to lead governmentwide human capital reform it should identify the skills and competencies of the new OPM, determine any skill and competency gaps, and develop specific steps to fill such gaps.

Customer focus, communication, and collaboration. Agency views, survey results, and our previous work show that OPM can improve its customer service and communication with agencies. Our recent work shows that guidance to agencies is not always clear and timely, the human capital officer structure is often a barrier to efficient customer response, and there are greater opportunities to dialogue and collaborate with Chief Human Capital Officers (CHCO) and human resource directors. Communication and collaboration are key aspects of OPM's ability to support agency efforts at human capital reform and establish a consistent reform message. OPM has recognized these shortcomings and has identified improvement actions to address some of them. However, more can be done such as strategically using the partnerships it has available to it, like the CHCO Council and others, as well as developing a culture of collaboration, information sharing, and working with customers to understand what they will need from the agency.

Performance culture and accountability. OPM has made progress in creating a "line of sight" or alignment and accountability across leader expectations and organizational goals. Performance expectations of

senior leaders are clearly aligned with the goals of OPM's strategic and operational plan. Success in achieving reform objectives will rest, in part, on OPM's ability to align performance and consistently support mission accomplishment for all employees of the organization.

Leadership

The OPM 2004 FHCS results and OPM's 2005 follow-up focus group discussions suggest that information is not cascading effectively from top leadership throughout the organization. Further, according to the summary reports of OPM's follow-up focus group discussions, overall communication was selected by employees as one of the most important areas to address. Some focus group participants said that managers and employees were unaware of what is going on in the organization due to a lack of internal and cross-divisional communication. Focus group participants also described not knowing where the agency is heading and not having a clear understanding of how their activities aligned with the overall vision and mission of the agency.

As figure 1 shows, fewer employees below the SES level at OPM as well as the rest of government reported being satisfied with the information they receive. Further there were significantly fewer employees at OPM, especially in the GS-1 to GS-12 range, reporting "satisfaction with the information they receive from management on what's going on in the organization" when compared with the rest of the government. On the other hand, significantly more SES employees at OPM indicated satisfaction with the "information they were receiving from management" than SES employees at all the other government agencies participating in the 2004 FHCS.

Figure 1: Employee Responses to Selected 2004 Federal Human Capital Survey Questions Related to Leadership

Question		Percentage of employees with favorable/positive responses			
		Overall	GS-1-12	GS-13-15	SES
How satisfied are you with the information you receive from management on what's going on in your organization?	OPM	40	37	45	87
	Rest of government	46	45	49	57
Managers promote communication among different work units (for example, about projects, goals, needed resources).	OPM	47	44	51	93
	Rest of government	52	51	57	70
Overall, how good a job do you feel is being done by your immediate supervisor/team leader?	OPM	68	66	71	89
	Rest of government	65	65	69	80
I have a high level of respect for my organization's senior leaders.	OPM	43	45	37	84
	Rest of government	49	50	49	66
How satisfied are you with the policies and practices of your senior leaders?	OPM	33	34	31	76
	Rest of government	40	40	41	57
In my organization, leaders generate high levels of motivation and commitment in the workforce.	OPM	33	34	29	81
	Rest of government	37	38	37	58

Source: GAO analysis.

A similar gap between OPM SES and GS-level employees, as well as for their relative counterparts from the rest of government, is evident when employees were asked if they agreed that "managers promote communication among different work units."

OPM employees also expressed concerns regarding their views of senior leaders. As shown in figure 1, roughly two-thirds of OPM employees, as well as employees in the rest of government, indicated that their immediate supervisors or team leaders are doing a good or very good job. Employee perceptions of senior level leadership were not as positive,

however. When survey respondents were asked if they agreed with the statement "I have a high level of respect for my organization's senior leaders," nearly twice as many OPM SES employees agreed with this statement as compared with OPM GS-level employees. Survey respondents were also asked if they were "satisfied with the policies and practices of your senior leaders" and OPM SES employees also agreed with this statement more than twice the level of OPM GS-level employees. For both items, the percent of OPM GS-level respondents agreeing with these statements tends to be lower than for their counterparts in the rest of government. A similar pattern of OPM SES and OPM GS-level response can be seen in Figure 1 for the percent of employees agreeing with the statement "leaders generate high levels of motivation and commitment in the workforce." OPM's analysis of responses to this question by its divisions and offices show that the Human Capital Leadership and Merit System Accountability (HCLMSA) division had the lowest positive and largest negative response of any division at about 28 percent and 51 percent respectively. This issue of leaders generating motivation and commitment was selected by all six of the HCLMSA focus groups as one of the most important issues that OPM needs to address. Because the HCLMSA division is OPM's frontline organization that partners with agencies to achieve human capital success by providing oversight and leadership to agencies, it will play a key role in OPM initiatives to implement human capital reform—so it will need effective leadership to guide its transformation.

OPM is clearly aware of the most critical issues for its agency leaders to address, such as the lack of overall and cross-divisional communication, issues related to employee views of senior management, and obtaining employee input to individual work plans linked to the agency strategic plan. Based on OPM's May 2006 action plans, the agency is planning to improve communication through such means as "visits to OPM field locations, brown bag lunches with the Director, an email box where employees can make suggestions on more efficient and effective ways of doing business, Web Casts, and employee meetings." According to the May 11, 2006 memo from OPM's CHCO to Director Springer, OPM has released several messages to employees regarding steps that it will be taking to improve communications agencywide and to address each of the specific critical issues within individual organizations of the agency. OPM officials told us that many of these actions have already occurred, such as senior executives visiting field locations. To improve its cross-divisional communication, OPM has developed and posted a functional organization directory on its internal website, which it has accomplished almost a month ahead of schedule. To address employee concerns regarding views

of senior leaders, OPM is establishing a process in all divisions to solicit employee input on various initiatives and setting aside "open door" time for employees to speak with their managers. Furthermore, OPM has created an action plan to help employees better understand how their work fits into the overall mission of the agency by providing a mechanism to increase employee input to work plans related to its strategic plan.

As I have testified on many occasions, in recent years GAO has learned a great deal about the challenges and opportunities that characterize organizational transformation. Several such lessons are of particular relevance to today's discussion. For example, GAO has recognized that soliciting and acting on internal feedback such as that obtained through employee surveys, provides a key source of information on how well an organization is developing, supporting, using and leading staff, as well as how internal operations are functioning and meeting employee needs as they carry out their mission. OPM's practices in this area are based in part on GAO's experience and include efforts to gain insight into employee perceptions of leadership and explicit follow-up activities to address identified concerns. OPM's planned actions are important steps in the right direction. Moving forward, as OPM implements its action plans to address issues of communication and motivation, it is important that it frequently communicate with employees on the progress of each of its planned actions and how these changes will affect them. OPM should also communicate any challenges or delays faced in its planned actions as soon as possible and the reasons why any changes to plans might be made. The 2006 FHCS deployed just last month, will provide an initial indication of the extent to which the new initiatives are responding to employee concerns.

Talent and Resources

A high-performance organization needs a dynamic, results-oriented workforce with the requisite talents, multidisciplinary knowledge, and up-to-date skills to ensure that it is equipped to accomplish its mission and achieve its goals. We have reported that acquiring and retaining a workforce with the appropriate knowledge and skills demands that agencies improve their recruiting, hiring, development, and retention approaches so that they can compete for and retain talented people.[7] Similar to other agencies, OPM faces challenges in recruiting and retaining

[7]GAO, *High-Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington D.C.: January 2003).

a high-quality, diverse workforce and these challenges could limit OPM's capacity to accomplish its current mission, which includes in part leading other agencies in addressing their own recruitment and retention challenges. Further, if OPM is to lead governmentwide human capital reform and transition from less of a rulemaker, enforcer, and independent agent to more of a consultant, toolmaker, and strategic partner, it should identify the skills and competencies of the new OPM, determine any skill and competency gap, and develop specific steps to fill that gap.

The FHCS shows that OPM employees identified several issues related to its current workforce:

- **Workforce skills.** Some OPM employees were concerned about a lack of skills among OPM's current workforce. Our analysis of the 2004 FHCS shows that 67 percent of OPM employees agreed that "the workforce has the job relevant knowledge and skills necessary to accomplish organizational goals" compared with 74 percent of employees from the rest of government. Among OPM's divisions, HCLMSA had the lowest rate of agreement and highest rate of disagreement with the above statement at, respectively, 25 percent and 59 percent. This division provides leadership to agencies in their human capital transformation efforts. If HCLMSA lacks the knowledge and skills necessary to accomplish OPM's current organizational goals, the division may have difficulty managing the additional responsibilities of leading and implementing future governmentwide human capital reform.

  Agencies are also concerned with OPM's current workforce capacity. We spoke with agency CHCOs, HR directors, and their staffs about OPM's current capacity, and they expressed concern about whether OPM has the technical expertise needed to provide timely and accurate human capital guidance and advice. For example, agency officials said that the perceived lack of federal human resource expertise among some OPM Human Capital Officers (HCO) makes it difficult for them to assist agencies when communicating policy questions to appropriate OPM employees. For example, an HR director told us that their agency contacted the responsible HCO about the *Outstanding Scholars Program* and did not get a response from OPM for two to three weeks. When OPM finally responded, they said

each agency was deciding how to administer the program.[8] In the end, the agency's General Counsel Office had to contact another agency to learn how they administered the program.

Many CHCOs and human resource directors told us they believed that OPM's expertise has declined over the last decade, while noting that OPM is facing many of the same personnel issues as all federal agencies regarding the loss of federal human capital talent and institutional knowledge.

OPM's ability to lead and oversee human capital management policy changes that result from potential human capital reform legislation could be affected by its internal capacity and ability to maintain an effective leadership team, as well as, an effective workforce. CHCOs and human resource directors expressed concern about the loss of OPM employees with technical expertise that will be needed to effectively assist agencies with future human capital efforts. One CHCO believed OPM's capacity is dependent upon a few key employees, in particular in the area of innovative pay and compensation approaches, adding that the potential loss of these employees could create a tipping point that severely damages OPM's capacity. Moreover, agencies believed that the Departments of Defense (DOD) and Homeland Security human capital reform efforts severely taxed OPM technical resources, specifically pay and compensation employees.

Building the skills and knowledge of its workforce provides OPM with an opportunity to streamline decision making to appropriate organization levels. The FHCS includes one question on employee empowerment. The 40 percent of OPM employees who had a "feeling of personal empowerment with respect to work processes" was close to the response of 43 percent from the rest of government. Although these results do not differ markedly from those in the rest of government, this item was selected by a majority of participants in the focus groups as one of the most important issues that OPM needs to address. Some participants said decision making is too centralized at the top without delegating authority to managers, supervisors, and

[8] The Outstanding Scholars Program is a special hiring authority for GS-5 and GS-7 positions that allows agencies to appoint college graduates with high grade point averages or class standing. The use of the authority is currently being litigated before the Merit Systems Protection Board.

employees. Taken together, these survey and focus group results suggest that the majority of OPM employees do not feel empowered to accomplish their tasks. Having delegated authorities gives employees the opportunity to look at customer needs in an integrated way and effectively respond to those needs and can also benefit agency operations by streamlining processes. Furthermore, such delegation to frontline employees gives managers greater opportunities to concentrate on systematic, cross-cutting, problems or policy-level issues. In April 2006, OPM began taking steps to delegate more authority to lower-level employees, and Associate Directors are now currently reviewing redelegations within their organizations.

- **Recruiting.** Similar to most federal agencies, OPM may have difficulty recruiting new talent. For example, 47 percent of OPM employees who perform supervisory functions agreed with the statement that their "work unit is able to recruit people with the right skills," which is similar to the 45 percent of supervisors from the rest of government. The OPM CHCO told us that HR specialist positions are difficult to fill now. The work of HR specialists ranges across policy development, consultation and agency outreach, and operational recruitment and staffing activities. This is noteworthy because we identified HR specialist as a mission-critical occupation among the 24 Chief Financial Officer Act agencies in our 2001 report.[9] HR specialist was also listed as a mission-critical occupation in OPM's 2003 human capital plan.

Mr. Chairman, as you know, longstanding concerns exist regarding DOD's personnel security clearance program. In fact, we declared DOD's program a high-risk area in January 2005. We testified last month before this subcommittee on concerns that slow the process of personnel clearances.[10] OPM continues to experience problems with its investigative workforce, a problem we first identified in February 2004 when we found that OPM and DOD together needed approximately 3,800 additional full-time-equivalent investigators to reach their goal of 8,000. Although OPM reports that it has reached its goal, it still faces performance problems due to the inexperience of its

[9]GAO, *Federal Employee Retirements: Expected Increases Over the Next 5 Years Illustrates Need for Workforce Planning*, GAO-01-509 (Washington, D.C.: Apr. 27, 2001).

[10]GAO, *DOD Personnel Clearances: New Concerns Slow Processing of Clearances for Industry Personnel*, GAO-06-748T (Washington, D.C.: May 17, 2006).

domestic investigative workforce. While OPM reports that it is making progress in hiring and training new investigators, the agency notes it will take a couple of years for the investigative workforce to reach desired performance levels.

- **Training.** OPM employees cited strengths as well as concerns with employee development and training, as well as not feeling empowered to accomplish their tasks. As we have reported, agencies must develop talent through education, training, and opportunities for growth, such as delegating authorities to the lowest appropriate level.[11] In the 2004 FHCS, 62 percent of OPM employees agreed that "supervisors/team leaders in [their] work unit support employee development" which is close to the agreement level of employees from the rest of government at 65 percent. OPM employees were not as close to the employees in the rest of government in agreeing that "I receive the training I need to perform my job." Fifty-three percent of OPM employees agreed with this statement as compared with 60 percent of employees from the rest of government. In the follow-up employee focus groups, some participants selected this item as one of the most important issues for OPM to address. Some focus group participants said OPM's culture does not support training and employees do not have time to attend training classes. Further, an OPM executive told us that it can be a struggle to convince managers that people should attend training. Some focus group participants also said that managers are not given sufficient and timely training budgets. OPM officials believe that limited funding for training is an issue at OPM, and added that OPM is also working to provide managers with more timely training budgets. In 2003, we reported that OPM was using rotational assignments, special projects, and details to broaden the skills of employees.[12] OPM officials also told us the agency is taking steps to address training concerns by offering more online training courses. In 2004, 57 percent of employees agreed with the statement that they have electronic access to learning and training programs readily available at their desk. Although still below the 71 percent agreement level for the rest of government, this was an 8 percentage point increase from the 49 percent of employees who agreed with this statement on the 2002

[11]GAO, *Human Capital: A Self-Assessment Checklist for Agency Leaders*, GAO/OCG-00-14G (Washington, D.C.: September 2000); GAO, *Human Capital: Practices That Empowered and Involved Employees*, GAO-01-1070 (Washington, D.C.: Sep. 14, 2001).

[12]GAO-03-115.

FHCS. OPM can build upon its current training initiatives, such as online courses and rotational assignments, to leverage the available training resources.

- **Critical resources.** OPM employees have indicated concerns regarding the availability of critical resources. Although responses from OPM employees overall are similar to employees from the rest of government, we noted one group of OPM employees whose responses are not as close to their counterparts in the rest of government. Among all OPM employees, 51 percent agreed with the statement that they have "sufficient resources (for example, people, materials, budget) to get my job done" as did 49 percent of employees from the rest of government. For employees performing supervisory functions, however, the agreement rate was 35 percent at OPM and 42 percent for the rest of government. Participants in the follow-up focus groups selected this item as one of the most important issues OPM needs to address to make the agency a better place to work. Focus group participants said the lack of administrative staff and essential equipment causes specialized employees to waste time performing administrative functions. This suggests that OPM needs to take additional steps to ensure that it has aligned its available resources with its mission needs.

OPM Has Engaged in Workforce and Succession Planning, but Different Workforce Skills May Be Needed to Meet Future Needs

OPM's workforce and succession planning efforts may be sufficient for maintaining the organization's current capacity, but OPM may need more collaborative workforce skills to lead and implement human capital reform. We have reported that strategic workforce planning addresses two critical needs: (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals, and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals.[13]

Almost half (about 46 percent) of OPM's workforce will be eligible to retire as of September 30, 2010, as compared with 33 percent governmentwide, according to information in the Central Personnel Data File (CPDF). Further, about two-thirds (66 percent) of the OPM SES employees will be eligible to retire at the same time—about the same as the governmentwide eligibility of 68 percent. We have reported that

[13]GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec.11, 2003).

without careful planning, SES separations pose the threat of an eventual loss in institutional knowledge, expertise, and leadership continuity.[14] In light of the impending retirements among its SES workforce, OPM has engaged in succession planning to ensure that it has the leadership talent in place to effectively manage OPM's transformation, as well as ensure that the workforce skill mix is appropriate to meet its future challenges and transition to more of a strategic consultant role. This effort is important because leading organizations engage in broad, integrated succession planning efforts that focus on strengthening both current and future organizational capacity. OPM officials told us that the agency has identified 142 key leadership positions within the SES and GS-15 grade levels that are classified for succession planning in the near future. Currently, OPM's succession planning efforts are only focused on SES and GS-15 positions. I understand that OPM is now planning to expand the scope of its succession management program to include all supervisory, managerial, and executive positions throughout the agency—approximately 240 additional positions. I would encourage them to undertake this broader succession planning effort, given the importance of maintaining, and in many cases augmenting, critical skills throughout the organization, as well as the consideration of the future skills it may need to achieve its own transformation to lead the executive branch's overall human capital reform effort.

As I noted earlier, in 2003, we reported that OPM's overarching challenge today is to lead agencies in shaping their human capital management systems while also undergoing its own transformation. Given its governmentwide leadership responsibilities, it is particularly important that OPM seeks to "lead by example" with its own human capital practices. Leading organizations go beyond simply backfilling vacancies, and instead focus on strengthening both current and future organizational capacity. Thus, it is critical that OPM assesses its mission-critical workforce skills relative to the human capital reform competencies and needs of the future. OPM officials said they will be issuing the agency's updated strategic human capital plan later this summer to include such items as its human capital focus, workforce plan, leadership and knowledge management, workforce analysis, and performance goals, among other things. Director Springer has noted that she envisioned the OPM of the future as having a greater emphasis on collaboration and consulting capabilities. Given the

[14]GAO, *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, GAO-03-914 (Washington, D.C.: Sep. 15, 2003).

greater emphasis on collaboration and consulting skills, I believe that OPM's forthcoming strategic human capital plan should include thoughtful strategies for how the agency plans to recruit, train, develop, incentivize, and reward employees with this important skill set.

Customer Focus, Communication, and Collaboration

During a transformation, we have reported that a communication strategy is especially crucial in the public sector where policy making and program management demand transparency and a full range of stakeholders and interested parties are concerned not only with what results are to be achieved, but also which processes are to be used to achieve those results.[15] Our work on high-performing organizations and successful transformations has shown that communication with customers and stakeholders should be a top priority and is central to forming the partnerships needed to develop and implement an organization's transformation strategies. Specifically, an appropriate customer communication strategy would include consistency of message and encourage two-way communication.

A majority of CHCOs and human resource (HR) directors told us that OPM could improve the clarity, consistency, and timeliness of its guidance to agencies. Several agency officials commented that OPM conveyed a "we'll know it, when we see it" method of communicating expectations. This method of communicating expectations and lack of clear and timely communications and guidance was clearly illustrated as agencies conveyed their experiences with the SES performance management system certification process. In November 2003, Congress authorized a new performance-based pay system for members of the SES. Under this authority, SES members are to no longer receive automatic annual across-the-board or locality pay adjustments with the new pay system. Agencies are to base pay adjustments for SES members on individual performance and contributions to the agency's performance by considering such things as the unique skills, qualifications, or competencies of the individual and their significance to the agency's mission and performance, as well as the individual's current responsibilities. Congress also authorized agencies to raise the maximum rate of pay for senior executives if their SES

[15]GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).

performance appraisal system is certified by OPM and OMB as making meaningful distinctions in relative performance.

We asked agency CHCOs and HR directors to provide us with their experiences with OPM's administration of the SES pay-for-performance process to identify parallel successes and challenges that OPM could face in a certification role for the implementation of human capital reforms. We heard a number of concerns from agencies regarding OPM's ability to communicate expectations, guidance, and deadlines to agencies in a clear and consistent manner. For example, one official said, while OPM tries to point agencies in the right direction, it will not give agencies discrete requirements. This leads to uncertainty about what agencies must and should demonstrate to OPM. Some CHCOs and HR directors also told us that, in some cases, OPM changed expectations and requirements midstream with little notice or explanation.

The late issuance of certification submission guidance to agencies was especially problematic for agencies and they appeared to have responded to this circumstance in two different ways. Because OPM did not issue guidance for calendar year 2006 submissions until January 5, 2006, some agencies were unable to deliver their submissions to OPM before the beginning of the calendar year. Further, OPM clarified this guidance in a January 30, 2006, memorandum to agencies, telling agencies that SES performance appraisal systems would not be certified for calendar year 2006 if the performance plans did not hold executives accountable for achieving measurable business outcomes. As a result, agencies had to revise their submissions, where necessary, to meet OPM's additional requirements. Some agencies indicated that OPM's late issuance of guidance also creates an uneven playing field among agencies, as those that choose to wait until OPM issues guidance before applying for certification are unable to give their SES members higher pay, while their counterparts who did not wait for OPM's guidance, could get certified sooner. Some human resource directors we spoke with expressed concern that OPM is not certain about their expectations of agencies' submissions and said they would like more clarity from OPM on the certification process. For example, one agency director of executive resources said agencies ended up relying on each other rather than OPM during the 2004 SES certification process. They said OPM provided agencies with mixed messages on what would be required for SES certification. One human resource director requested that, at the very least, agencies should be given the certification process guidelines before the end of the calendar year, so they can plan adequately. OPM officials we spoke with about this agreed that they need to be able to provide clear

and consistent guidance to agencies and said they are working to improve this. Further, they said their evaluation of agencies' submissions is evolving as their understanding of the SES certification criteria is increasing.

In the past, we have reported concerns with OPM's communications pertaining to their leadership in implementing governmentwide human capital initiatives and have recommended ways in which OPM could improve its guidance to federal agencies. For example, in 2003 we reported that an initial lack of clarity in telework guidance for federal agencies from OPM led to misleading data being reported on agencies' telework programs.[16] As one of the lead agencies, along with the General Service Administration (GSA), for the federal government's telework initiative, OPM issued telework guidance to agencies in 2001 that did not define a statement that was included in their guidance that told agencies that eligible employees who wanted to participate in telework must be allowed that opportunity. As a result, we found that agencies interpreted this statement differently and subsequently reported incomparable data to OPM. After discussing this issue with OPM officials, OPM reacted promptly by issuing new telework guidelines within weeks that addressed our initial concerns. We concluded that the steps taken by OPM in response to our findings showed a ready willingness to address issues that were hindering implementation of this important human capital initiative. We also recommended to OPM and GSA that they should use their lead roles in the federal telework initiative to identify where more information and additional guidance, guidelines, and technical support could assist agencies in their implementation of telework.

In May 2006, we reported that communications problems between OPM and DOD may be limiting governmentwide efforts to improve the personnel security clearance—an area of high-risk concern that I noted earlier.[17] For example, DOD officials asserted—and OPM disagreed—that OPM had not officially shared its investigator's handbook with DOD until recently. DOD adjudicators had raised concerns that without knowing what was required for an investigation by the investigator's handbook, they could not fully understand how investigations were conducted and effectively use the investigative reports that form the basis for their

[16]GAO, *Human Capital: Further Guidance, Assistance, and Coordination Can Improve Federal Telework Efforts*, GAO-03-679 (Washington, D.C.: Jul. 18, 2003).

[17]GAO-06-748T.

adjudicative decisions. OPM indicated that it is revising the investigator's handbook and is obtaining comments from DOD and other customers.

More recently, our review of oversight of Equal Employment Opportunity (EEO) related requirements and guidance, found little evidence of OPM coordination with Equal Employment Opportunity Commission (EEOC) because an insufficient understanding of their mutual roles, authority, and responsibilities resulting in lost opportunity to realize consistency, efficiency, and public value in federal EEO and workplace diversity human capital management practice.[18] Further, a majority of human capital and EEO officials responding to a survey we did for that review, reported that OPM's feedback on their agencies' programs and the guidance they received from OPM was not useful.

Helping to achieve EEO and workplace diversity is another area where opportunities exist for OPM to increase its coordination and collaboration with EEOC. Over 80 percent of the respondents to our survey of federal human capital and EEO officials said that more coordination between OPM and EEOC would benefit their agency, adding that the lack of such coordination resulted in added requirements on them and detracted from the efficiency of their won work. Moreover, in 2005, OMB recommended to OPM that it develop a regular/formal working relationship with EEOC with respect to those programs where it shares oversight responsibility with EEOC in order to improve overall government efficiency.

As changes in governmentwide human capital initiatives begin to address the changing needs of the 21st century federal workforce, it will be especially critical that OPM develops clear and timely guidance for agencies that can be consistently and easily implemented.

OPM's HCO Structure Is Viewed as a Barrier to Meeting Customer Needs

CHCOs and human resource directors informed us that, while OPM's HCO structure is good in theory, it is often a barrier to obtaining timely technical guidance. Within the HCMLSA division, OPM assigns one HCO as the main point of contact to each agency of the President's Management Council and one to each cluster of small agencies. HCOs act as liaisons and consultants communicating with an agency's human capital leadership. CHCOs and human resource directors commented that their

[18]GAO, *Equal Employment Opportunity: Improved Coordination Needed between EEOC and OPM in Leading Federal Workplace EEO*, GAO-06-214 (Washington, D.C.: Jun. 16, 2006).

HCO has become an advocate for their agencies and has been helpful for troubleshooting and resolving issues that did not require detailed technical assistance. However, problems arose for many agencies when technical questions and issues had to be communicated via their HCO to the policy experts at OPM. For example, one human resource officer told us they asked their HCO if they could talk directly to OPM experts on Voluntary Separation Incentive Pack and Voluntary Early Retirement Authority, but the HCO insisted on relaying the information to the agency. The agency official said their HCO was relatively new, so there were numerous policy nuances that were lost during this process.

One CHCO stated that, while the HCOs at OPM have provided one-stop shopping for agencies, having the HCO as the only point of contact can be restrictive. Several human resource directors conveyed instances where technical nuances of a particular issue, such as the Voluntary Early Retirement Authority, were lost in the translation between the HCOs and policy experts at OPM, as the HCO often did not have federal HR experience or expertise. As one official described it, while the HCO is helpful, time and context are lost in having to go through the HCO to obtain technical assistance. Human resource directors expressed a desire to communicate directly with OPM's policy experts for technical guidance and some use their personal contacts at OPM for technical guidance and assistance instead of going through their HCO.

Human resources directors also said that they sometimes received mixed messages on the SES certification process from OPM, and it appeared that answers would change depending on with whom an official was working. From their perspective, agencies thought that OPM did not effectively communicate among its internal divisions and that OPM could greatly improve its customer service by clarifying its internal structure and making it more customer-oriented. Human resource directors commented about the lack of a formal mechanism, such as a survey instrument, to provide feedback to OPM on their guidance and assistance to agencies. We asked an executive within the HCLMSA division about this and were told that while OPM does not have a formal feedback mechanism, they talk to agencies all the time, so OPM does not feel that a formal mechanism is needed.

Employee responses to FHCS questions relating to OPM's customer focus show employees are also concerned about the service OPM provides to agencies. OPM's results for the two FHCS questions relating to customer focus show a decline from 2002 to 2004 in its employee's satisfaction with OPM's focus on customer needs. In 2002, 66 percent of OPM employees

agreed that "products and services in their work unit are improved based on customer/public input." However in 2004, 53 percent of OPM employees agreed with the same statement, a 13 percentage point decline. A similar decline occurred in response to a FHCS question concerning performance rewards. In 2002, 51 percent of OPM employees agreed that "employees are rewarded for providing high quality products and services to customers," whereas in 2004, 35 percent of OPM employees agreed with the same statement, a decline of 16 percentage points.

While the employee focus group discussions did not directly address customer focus, some participants raised concerns during their discussions that could affect OPM's client focus. Focus group participants from HCLMSA said OPM provides poor service to external customers due to unnecessary delays and a lack of communication. They said the HCO structure makes it difficult to connect customers with OPM employees who can provide them with accurate information and advice. The HCO structure was introduced in 2003, therefore it could have contributed to the decline in positive responses to the customer focus questions in the 2004 FHCS.

In an OPM briefing to GAO, officials described OPM's structure in support of strategic human capital management, and part of that structure includes "targeting capability to implement strategic management of human capital on an agency-by-agency basis" through its HCLSMA division. According to OPM documents, each agency center in HCLMSA has staff to provide human resources technical assistance to agencies. OPM has a number of goals and activities in its Strategic and Operational Plan intended to improve its customer service and focus on customer needs. For example, OPM plans to develop performance standards for OPM common services by July 2006, and implement them by October 2006.

As OPM works to address its customer issues, it should consider other ways to more quickly respond to inquires from agencies for specific technical expertise. In addition, OPM should develop a customer feedback survey to identify issues related to timeliness, customer needs, satisfaction, and take action accordingly.

OPM Needs to Take Full Advantage of Opportunities to Collaborate and Facilitate Information Sharing with the CHCO Council and Agency Human Resource Directors

Our prior work has found that high-performing organizations strengthen accountability for achieving crosscutting goals by placing greater emphasis on collaboration, interaction, and teamwork, both within and across organizational boundaries, to achieve results that often transcend specific organizational boundaries. In addition, we have found that high-performing organizations strategically use partnerships and that federal agencies must effectively manage and influence relationships with organizations outside of their direct control. An effective strategy for partnerships includes establishing knowledge-sharing networks to share information and best practices.

To collaborate and share information, CHCOs said that OPM could make better use of the CHCO Council. Human resource directors said that OPM could facilitate more communities of practice at the implementation level among them. We have reported often on the need to collaborate and share information as a way to improve agency human capital approaches, processes, and systems. Specifically, we have made several recommendations to OPM to work more closely with the CHCO Council to (1) share information on the effective use of retirement flexibilities, (2) act as a clearinghouse of information for the innovative use of alternative service delivery for human capital services, and (3) more fully serve as a clearinghouse in sharing and distributing information about when, where, and how the broad range of human capital flexibilities are being used to help agencies meet their human capital management needs.[19] Further, we have recommended that OPM, in conjunction with the CHCO Council, help facilitate the coordination and sharing of leading practices related to efficient administration of the student loan repayment program by conducting additional forums, sponsoring training sessions, or using other methods.[20] For example, our work on the federal hiring process identified areas where OPM could target its efforts.[21] OPM has since taken a number

[19]GAO, *Human Capital: Agencies Are Using Buyouts and Early Outs with Increasing Frequency to Help Reshape Their Workforces*, GAO-06-324 (Washington, D.C.: Mar. 31, 2006); GAO, *Human Capital: Selected Agencies' Use of Alternative Service Delivery Options for Human Capital Activities*, GAO-04-679 (Washington, D.C.: Jun. 25, 2004); GAO, *Human Capital: OPM Can Better Assist Agencies in Using Personnel Flexibilities*, GAO-03-428 (Washington, D.C.: May 9, 2003).

[20]GAO, *Federal Student Loan Repayment Program: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results*, GAO-05-762 (Washington D.C.: Jul. 22, 2005).

[21]GAO, *Human Capital: Opportunities to Improve Executive Agencies' Hiring Processes*, GAO-03-450 (Washington, D.C.: May 30, 2003).

of actions to help agencies improve their hiring processes. With respect to improving agency hiring processes and use of human capital flexibilities, we reported that the CHCO Council should be a key vehicle for this needed collaboration. For example, OPM, working through the CHCO Council, can serve as a facilitator in the collection and exchange of information about agencies' effective practices and successful approaches to improved hiring.[22] To address the federal government's crosscutting strategic human capital challenges, we have testified that an effective and strategic CHCO Council is vital. We have also reported that using interagency councils, such as the Chief Financial Officers' and Chief Information Officers' Councils, has emerged as important leadership strategy in both developing policies that are sensitive to information concerns and gaining consensus and consistent follow-through within the executive branch.[23]

Agency officials overwhelmingly reinforced a need for OPM to do more to collaborate and facilitate information sharing with the CHCO Council and HR directors. A former department-level CHCO described the CHCO Council as "a lost opportunity with little opportunity for dialogue." Another CHCO stated that the Council has rarely been used to debate new human capital policies and has been excluded from major policy debates. Although, some CHCOs and HR directors pointed to OPM's successful collaborative efforts through the CHCO Council, such as its assistance to agencies in the aftermath of Hurricane Katrina, they told us that OPM misses opportunities to more effectively partner with agencies. While some human resource directors believed the CHCO Council did provide a means of sharing information, which is especially useful for the CHCOs who lack human resources backgrounds, several officials described ways in which OPM could more effectively use the Council.

A majority of human resource directors we met with told us they would like to see OPM facilitate the sharing of information and best practices among HR professionals, as well as CHCOs. Some officials said that OPM frequently communicates with agencies via fax and e-mail, but does not bring agencies together as often to share information. Some CHCOs said they would like to see the CHCO Council interact more with other

[22]GAO, *Human Capital: Additional Collaboration Between OPM and Agencies Is Key to Improved Federal Hiring*, GAO-04-797 (Washington, D.C.: Jun. 7, 2004).

[23]GAO, *Human Capital: Building on the Current Momentum to Transform the Federal Government*, GAO-04-976T (Washington, D.C.: Jul. 20, 2004).

governmentwide interagency councils. Also, most HR directors, as well as, several CHCOs, responded positively to more involvement of agency HR directors on the CHCO Council. Director Springer said that membership on the CHCO Council has been expanded to include a deputy CHCO position. The inclusion of deputies is an important step toward building a collegial environment for sharing best practices.

Several agency officials used the SES performance management system certification process to illustrate what they considered a missed opportunity for OPM to facilitate agency sharing of information and best practices, particularly during the certification application submission process. However, an OPM official told us that it does not provide agencies with examples of "best practice" certification submissions because OPM does not want to convey to agencies that there is only one "right" way to become certified. While OPM is certainly correct about no one right way, several agencies nevertheless indicated having difficulty understanding OPM's expectations for agency certification submissions. In response, one CHCO took the initiative to use one of the CHCO Academy[24] meetings to engender information sharing among agencies with the application process.

Collaboration and information sharing will be critical as human capital reforms begin to take hold across government. If OPM is to successfully lead reform, it will need to strategically use the partnerships it has available to it, such as the CHCO Council and others, as well as develop a culture of collaboration, information sharing, and working with customers to understand what they will need from the agency.

OPM's Strategic and Operational Plan Includes a Number of Efforts Intended to Improve Its Customer Focus

It is clear from the OPM Strategic and Operational Plan, 2006–2010 that issues of customer satisfaction and timeliness in the provision of OPM common services is an important and compelling customer need. OPM management has indicated that operational goals and activities are organized as steps in its internal activities or processes to better support external products and services for its customers and stakeholders. For instance, OPM intends to develop and implement a new common services

[24]The CHCO Academy was established as a forum for Council members only, to discuss human resources issues, learn from one another in an informal setting, and share best practices in the strategic management of human capital. Academy sessions are scheduled throughout the year on the third Thursday of the month at the Office of Personnel Management.

methodology, to employ performance standards for measuring the delivery of common services to customers, and to operate under a fully implemented set of internal delegated authorities and protocols by the end of fiscal year 2006. OPM management has pointed out that these activities are also presented in a timeline tracking sheet that is used to make "real time" changes through continual update of accomplishments. It is OPM's intent to then inform customers of the agency's success in meeting the stated customer goals found in the plan within two weeks of each success, thereby establishing a means of transparency and accountability. OPM officials told us that to date, the agency is meeting this intent.

Successful organizations establish a communication strategy that allows for the creation of common expectations and reports on related progress. Activities intended to provide for better means of communication and collaboration are also clearly found in the OPM plan. As noted earlier, OPM is taking steps to improve its internal communication by recently developing and posting a functional organization directory on its internal website. OPM also plans to redesign its public website to improve communication and customer focus by the close of fiscal year 2006. The OPM plan further states, as a strategic objective, that OPM "will have constructive and productive relationships with external stakeholders," such as Congress, veterans, unions, media and employee advocacy groups.

To better meet external client needs, OPM has an ongoing key related effort to modernize its retirement systems program. Through this program, OPM expects to reengineer the various processes that provide services to retirement program participants that include about 5 million federal employees and annuitants. One of OPM's objectives is to standardize applications for coverage and eligibility determinations and benefits calculations, making them specific to customer needs and accessible to federal agencies and program participants. OPM's Strategic and Operational Plan contains operational goals related to this modernization effort. We believe that such a modernization effort is clearly needed. At the same time, as we have noted in our prior work, OPM has lacked needed processes for developing and managing requirements and related risks, while providing sound information to investment decision makers in order to effectively complete modernization of this program.[25] We made recommendations to OPM regarding establishment of management processes needed for effective

[25]GAO, *Office of Personnel Management: Retirement Systems Modernization Program Faces Numerous Challenges*, GAO-05-237 (Washington, D.C.: Feb. 28, 2005).

oversight of the program. OPM agreed that the processes we identified were essential and noted it is taking steps to address our recommendations to strengthen these processes.

Performance Culture and Accountability

Leading organizations have recognized that a critical success factor in fostering a results-oriented culture is an effective performance management system that creates a "line of sight" showing how unit and individual performance can contribute to overall organizational goals and helping them understand the connection between their daily activities and the organization's success.[26] Effective performance management systems can drive organizational transformation by encouraging individuals to focus on their roles and responsibilities to help achieve organizational outcomes. Our analysis shows that OPM's executive performance management system aligns the performance expectations of OPM's top leaders with the organization's goals. OPM sets forth the organization's goals in its 2006–2010, Strategic and Operational Plan and directly connects these goals to the performance expectations of top leaders using performance contracts. Clearly defined organizational goals are the first step toward developing an effective performance management system.

OPM uses performance contracts to link organizational goals to performance expectations for senior leaders and holds them accountable for achieving results. As we have reported, high performing organizations understand that they need senior leaders who are held accountable for results, drive continuous improvement, and stimulate and support efforts to integrate human capital approaches with organizational goals and related transformation issues.[27] These organizations can show how the products and services they deliver contribute to results by aligning performance expectations of top leadership with organizational goals and then cascading those expectations down to lower levels. We assessed how well OPM is creating linkages between executive performance and organizational success by reviewing the performance contracts (Fiscal Year 2006 Executive Performance Agreements) of the five associate directors of OPM's major divisions. We evaluated these performance contracts by applying selected key practices we have previously identified

[26]GAO, *Results-Oriented Cultures: Using Balanced Expectations to Manage Senior Executive Performance*, GAO-02-966 (Washington, D.C.: Sep. 27, 2002).

[27]GAO, *Human Capital: Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results*, GAO-04-614 (Washington, D.C.: May 2004).

for effective performance management.[28] We chose these practices because they are especially relevant to OPM's current strategic management efforts. These practices, collectively with others we have identified in prior work, create a "line of sight" showing how unit and individual performance can contribute to overall organizational goals.

We found that OPM has implemented several key practices to develop an effective performance management system for its senior executives:

- **Align individual performance expectations with organizational goals.** An explicit alignment of daily activities with broader results is one of the defining features of effective performance management systems in high-performing organizations. OPM executive performance contracts explicitly link individual performance commitments with organizational goals. Executives are evaluated on their success toward achieving goals that are drawn directly from the OPM Strategic and Operational Plan. Measures of these achievements account for 75 percent of executives' annual performance ratings. For example, one associate director's performance contract includes a commitment to achieve OPM's operational goal of having "80 percent of initial clearance investigations completed within 90 days."

- **Connect performance expectations to crosscutting goals.** High-performing organizations use their performance management systems to strengthen accountability for results, specifically by placing greater emphasis on collaboration to achieve results. OPM's executive performance contracts achieve this objective by making executives accountable for OPM-wide goals. In addition to specific divisional goals, each executive performance contract includes a common set of "corporate commitments" that transcend specific organizational boundaries and that executives must work together to achieve. These commitments are directly linked to the OPM Strategic and Operational Plan. For example, each executive contract includes a commitment to "Implement an employee recognition program at OPM by July 1, 2006."

- **Provide and routinely use performance information to track organizational priorities.** High-performing organizations provide objective performance information to executives to show progress in

[28]GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488, (Washington, D.C.: Mar. 14, 2003).

achieving organizational results and other priorities.[29] OPM is taking a tactical approach to implementing its Strategic and Operational Plan. Activities supporting the strategic objectives are listed on an "Operational Timeline" or tracking sheet that OPM uses, and "real time" changes are made through continual updates of accomplishments. According to Director Springer, each OPM division has a tracking sheet for the specific goals for which they are accountable. She told us that OPM leadership meets monthly to review the timeline and to determine if goals have been met or what progress OPM is making toward achieving their objectives.

- **Require follow-up actions to address organizational priorities.** High-performing organizations require individuals to take follow-up actions based on the performance information available to them. OPM's performance contracts include commitments for executives to respond to results from the FHCS. Each associate director is committed to "Implement [an] action plan to ensure OPM is rated in the top 50% of agencies surveyed in the 2006 FHCS and the top five agencies in the 2008 FHCS." To achieve this goal, each associate director developed a FHCS action plan for their division to address employee concerns identified in the 2004 FHCS and the follow-up focus group discussions.

- **Use competencies to provide a fuller assessment of performance.** High-performing organizations use competencies, which define the skills and supporting behaviors that individuals need to effectively contribute to organizational results. Each OPM executive performance contract includes core competency requirements for effective executive leadership, which account for 25 percent of annual performance ratings. For example, executives are responsible for building "trust and cooperative working relationships both within and outside the organization."

OPM's executive performance contracts incorporate these key practices of performance management, and the agency must build on this progress and ensure that its SES performance management system is used to drive organizational performance.

[29]GAO-04-614.

OPM Can Build upon Strong Accountability to Address Employee Concerns with its Performance Culture

OPM can build on its strong system of executive accountability to address employee concerns with its overall performance culture, as well as support its internal transformation. OPM has plans to implement new performance elements and standards for all OPM employees to support the new agency Strategic and Operational Plan. As we have reported, high-performing organizations use their performance management systems to strengthen accountability for results.[30] In the 2004 FHCS, the percent of OPM employees who agreed that "I am held accountable for achieving results" was 81 percent; essentially the same as the 80 percent of employees in the rest of the government agreeing with this statement. OPM employees' positive view of "being held accountable for achieving results" can be used to help address employee concerns regarding its performance culture. For example, a significant decrease occurred between OPM's 2002 and 2004 FHCS results on a question that measures employee perceptions of management's focus on organizational goals. The percentage of OPM employees who agreed that "managers review and evaluate the organization's progress toward meeting its goals and objectives," declined by 17 percentage points from 2002 (69 percent) to 2004 (52 percent). This question was only discussed in a few of the focus groups, so it is unclear why fewer employees agreed with this statement in 2004. Although limited, these discussions suggest that some employees do not feel their performance appraisal is a fair reflection of their performance due to inadequate goals and performance standards, and a lack of alignment between employee goals and OPM's mission.

OPM plans to address these employee performance concerns to ensure there is a clear linkage between the OPM Strategic Operational Plan, Division/Office Plans, and individual employee-level work plans. By July 2006, OPM plans to implement new performance elements and standards for all employees that support the OPM Strategic and Operational Plan. Already underway, is an OPM beta site (the HCLMSA division) to test its performance management system to link pay to performance. OPM officials informed us that as of June 1, 2006, all HCLMSA employees are now working under new performance plans, consistent with the OPM beta site requirements.

To maximize the effectiveness of a performance management system, high performing organizations recognize that they must conduct frequent

[30]GAO-03-488.

training for staff members at all levels of the organization.[31] OPM plans to develop and implement a core curriculum for supervisory training to ensure all managers and supervisors are trained in performance management. Also, OPM is developing a proposal to enhance the relationships between the human resources function and managers to assist them in dealing with their human resource issues. If effectively implemented, these actions should address many of the concerns raised by focus group participants.

Concluding Remarks

OPM faces many challenges as it seeks to achieve its organizational transformation and become a high-performing organization. To meet its current and future challenge to lead human capital across government, Director Springer has shown leadership commitment to its transformation by initiating a number of action plans to address employee concerns. While the steps taken by OPM demonstrate progress in achieving its transformation, it must continue on this path by closely monitoring and communicating with its employees and customers, expanding its workforce and succession planning efforts, and continuing to improve its performance culture and accountability for results. As I have testified on many occasions, in recent years GAO has learned a great deal about the challenges and opportunities that characterize organizational transformation. From both our own experiences and from reviewing others' efforts, I look forward to working closely with Director Springer and assisting Congress as it moves toward the implementation of governmentwide human capital reform.

Chairman Voinovich, Senator Akaka, and Members of the subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have.

[31] GAO-03-488.

Contact and Acknowledgments

For further information regarding this statement, please contact Brenda S. Farrell, Acting Director, Strategic Issues, at (202) 512-6806 or farrellb@gao.gov. Individuals making key contributions to this statement include Julie Atkins, Thomas Beall, Carole Cimitile, William Colvin, S. Mike Davis, Charlene Johnson, Trina Lewis, and Katherine H. Walker.

Appendix I

Federal Human Capital Survey, Focus Groups, and Action Plans

We used the Federal Human Capital Survey (FHCS) and summaries of the Office of Personnel Management (OPM) focus groups to assess employee views of OPM's organizational capacity. OPM conducted the FHCS during fall 2004. The survey sample included 276,000 employees and was designed to be representative of the federal workforce. OPM had 1,539 respondents to the survey. The survey included 88 items that measured federal employee perceptions about how effectively agencies are managing their workforces. For more information about the 2004 FHCS survey see http://www.fhcs2004.opm.gov/. We reviewed OPM's analysis of its 2004 FHCS results and conducted our own analyses of survey results using 2002 and 2004 FHCS datasets provided to us by OPM. On the basis of our examination of the data and discussions with OPM officials concerning survey design, administration and processing, we determined that the data were sufficiently reliable for the purpose of our review.

In fall 2005, OPM contracted with Human Technology, Inc. to conduct focus groups to understand factors contributing to employees' responses on selected items from the 2004 FHCS and to obtain employees' ideas for addressing top priority improvement areas. Employees were randomly selected to participate in 33 focus groups with participants from all major divisions, headquarters and the field, employees and supervisors, and major OPM installations. The participants in each focus group decided which topics to discuss by voting for the FHCS questions that "are most important for OPM to address in order to make the agency a better place to work." Questions were divided into three categories: leadership, performance culture, and other dimensions. Participants voted for three questions in each category and the questions that received the most votes were discussed by the group. We analyzed summaries of these focus groups and used the participant comments to illustrate employee perspectives. We also analyzed recently issued action plans developed by OPM to address issues identified in the focus groups. These action plans were approved by OPM's Director in May 2006 and they list specific actions OPM and each internal division will take along with suggested due dates for completion.

Post-Hearing Questions for the Record
Submitted to Director Linda Springer, Office of Personnel Management

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
"The Right People? Oversight of the Office of Personnel Management"
June 27, 2006

Senator George V. Voinovich

1. OPM has initiated a significant recruiting campaign, including running advertisements in Cincinnati, Ohio. Has OPM increased its efforts to educate agency human resources professionals on available hiring flexibilities? How is OPM assisting agencies streamline the hiring process? Has OPM worked with interested parties, such as the Partnership for Public Service following their Extreme Hiring Makeover project, to share the lessons learned throughout the government?

   Yes. OPM has undertaken the following activities to educate agency human resources professionals about available hiring flexibilities:

   1) OPM launched a Federal Hiring Flexibilities Resource Center website which provides information for agency Human Resources professionals on the following hiring flexibilities:
      a. Hiring Veterans
      b. Direct Hire Authority
      c. Student Employment
      d. Excepted Service
      e. Category Rating

   2) OPM conducted more than 25 hiring flexibility symposiums in cities across the country in 2005 and 2006, as well as numerous sessions in Washington, DC, and a major national Federal human resources conference which was held in Baltimore in February, 2006. In addition, OPM is providing information on hiring flexibilities at four key Federal Career Days scheduled for this Fall and also shared similar information at key Veteran Service Organization annual conferences during this past summer.

   3) OPM developed category rating training which we presented to several Federal agencies this year. We are also making course materials available to Federal agencies for their in-house use.

   4) OPM developed the Career Patterns initiative – a new approach for bringing the next generation of employees into Federal Government positions. An online guide introduces the Career Patterns approach to recruiting and offers cutting edge techniques and planning tools to help agencies recruit and retain talent. As

part of this roll out, we conducted, and will continue to conduct, workshops with Federal agencies to help them better understand and implement this initiative.

OPM is streamlining the hiring process through several initiatives:

We implemented a 45-day hiring model for all federal agency non-SES hires and a 30-day model for Senior Executive Service hires. OPM holds agencies accountable for achieving these timeframes through the human capital scorecard under the President's Management Agenda and as part of OPM's Strategic and Operational Plan. Most Federal agencies have now reduced their average hiring times to 45 days for non-SES hires, from the time an announcement closes to the time an employment offer is made.

OPM and the Chief Human Capital Officer Council have jointly developed two surveys – *the applicant satisfaction survey* and *the management satisfaction survey* -- to assess satisfaction with the federal hiring process among agency hiring managers and job applicants. As a result, agencies will be better able to collect, analyze and improve their hiring practices, and ultimately hire top talent in a more timely manner.

In response to your question, yes, OPM has worked with the Partnership for Public Service to share lessons learned, both from the Partnership's Extreme Hiring Makeover and the OPM hiring makeovers with such agencies as the Veterans Administration, Small Business Administration, Housing and Urban Development, and the Environmental Protection Agency. OPM has used results from these makeovers to develop a Hiring Toolkit website that will be available by the end of 2006. The toolkit will provide case studies, Frequently Asked Questions, hiring tools, a Makeover Template, and additional resources.

2. Part of OPM focuses on selling services to federal agencies, which directly competes with the private sector. Do you believe this component of OPM compromises OPM's ability, integrity, or reputation as being an honest broker for advancing human resources policy? Does this mission divert necessary time, attention, or resources away from OPM's core responsibility as advisor to the President on human capital policy?

OPM believes its involvement in the delivery of products and services is not a diversion from its core responsibilities but rather is an integral part of that responsibility. The agency's Government-wide perspective and extensive Federal human resources expertise allow for the unique development of products that benefit all agencies, not just a select few. This role does not interfere with my ability to serve as advisor to the President on human capital policy because the products and services themselves assist agencies in meeting Government-wide human resources policy and in turn, the President's human capital goals. In addition, our statutory authority, organizational structure, and internal procedures ensure our ability to provide human resources services as Congress intended (ie: on an actual cost basis), through organizational divisions which are separate and distinct from those divisions receiving appropriated funds for human resources policy work.

3. I have heard in testimony before my Subcommittee a bit of frustration from agencies due to the length of time it takes OPM to publish regulations. For example, the final regulations to implement compensatory time for travel still have not been published. Have you reviewed the process by which OPM issues regulations and identified ways to improve the process?

   OPM makes every effort to promulgate regulations in a timely manner. Consistent with the requirements of the Administrative Procedures Act, OPM drafts a new regulation as either a proposed, interim, or final rule, and forwards it to the Office of Management and Budget for required approval and coordination within the Administration. OMB requires a minimum of 90 days to review the rule prior to publication. After initial publication, a public comment period follows whereby any and all interested parties provide statements to OPM that are taken into consideration when drafting the final regulation. It is not uncommon for a final rule to be implemented after many months of review and comment by dozens, sometimes hundreds, of organizations and individuals. In the case of the rules for implementing the new compensatory time off for travel benefits, OPM chose to publish interim regulations which became effective on January 28, 2005. Interim regulations, unlike proposed regulations, have the same force and effect as final regulations. As stated above, the regulation may be revised further based on public comments that have been received by OPM. At this time, based on ongoing OMB review, we are hoping that the final regulation will be published at some point this Fall.

Senator Daniel K. Akaka

1. Although I understand the need to modernize federal retirement systems, I am concerned that similar attention is not being given to the Federal Erroneous Retirement Coverage Corrections Act (FERCCA), which I cosponsored with Senator Cochran in 1999. As you know, our bill was included as Title III of the Long Term Care Security Act (PL 106-265). In order to assess the progress made by the Office of Personnel Management (OPM) in implementing FERCCA, I would appreciate knowing what actions have been taken to date, including the number of contracts awarded, the dollar amounts of these contracts, and what functions are being handled in-house.

   I was pleased to meet personally with your staff following my hearing appearance in order to provide an update on OPM's efforts to implement FERCCA. As of this summer, OPM has contacted 1,739 of the 1,876 Federal annuitants eligible to make a FERCCA-related determination on retirement benefits. OPM is also reaching out to active Federal employees who are likewise eligible to make a determination on their retirement benefits. OPM's goal is to ensure that all eligible individuals have the information they need from OPM no later than the end of February, 2007. As described to your staff, OPM has also been making efforts to provide financial counseling options to the eligible population. Since 2001, OPM has awarded 4 contracts, only one of which remains in effect. It is with Economics Systems, Inc. (ESI) and is valued at $2.1 million. The contract is for the license and maintenance of the ESI Calculator, FERCCA counseling, and employee case processing services to supplement our in-house staff. The functions currently being

handled by OPM staff are employee and annuitant case processing, answering inquiries received through OPM's toll-free FERCCA hotline, interfacing with Federal agencies on FERCCA training and case status inquiries, and addressing related implementation and correction issues.

2. Limited training budgets affect OPM just like other agencies. The 2004 Federal Human Capital Survey found that 53 percent of OPM employees agreed that they receive the training needed to perform their jobs. However, this figure is 7 percent lower than the 60 percent of employees for the rest of the government. I understand that OPM is working to provide more online training to its employees. To me, interactive, instructor-based training is the right approach for most, if not all, employee training programs. How much does OPM spend on training for its employees and what type of training is provided? What areas are covered by OPM's online training, and has OPM done an assessment of the programs to determine its effectiveness, as well as weaknesses?

For Fiscal Year 2006, OPM expects it will have spent over $1.5 million training its employees. However, individuals will also receive training that is not fee based through in-house training or other free learning experiences conducted in a variety of formats and media, including instructor-led classroom training, e-learning, residential seminars, self-paced instruction from video/audio/print/other media, workshops, conferences, and other events. People learn differently and providing for a wide variety of methods of training delivery can help meet the needs of individuals with different learning styles. Therefore, we promote a variety of learning methods for OPM employees, to include online training.

I believe online learning has several distinct benefits as part of an overall training delivery strategy. For example, online learning offers a tremendous opportunity to learn without the limitations of time or location, and students have the flexibility to learn at a pace that is comfortable for them. Students may also become more self-directed and responsible for their own learning. And by learning how to negotiate in an online environment, students learn valuable skills that will serve them well in the workplace and in their personal lives. We anticipate online course offerings will be expanding in areas such as business, computer technology, leadership and management, and professional development skills. It is our judgment that our online training initiatives provide opportunities that can also maximize the effectiveness of instructor-led training in a classroom setting. For example, agencies can use online training to handle read ahead assignments and background or administrative matters pertaining to courses, which can result in students being better prepared and time being better utilized for the instructor-based portion in the classroom-based setting.

The effectiveness of all of our training programs will be judged by a variety of metrics, including formal competency assessments to determine whether identified competency gaps are being mitigated over time; systematic observation of performance of employees who complete training; observation of changes in organizational performance; and conclusions about the impact of the individual's improved competency on the organization's ability to meet goals and objectives.

3. OPM's Human Capital Leadership and Merit System Accountability division received the largest number of negative responses from OPM employees in the 2004 Federal Human Capital Survey regarding leaders generating motivation and commitment in the workforce and in staff having the relevant knowledge and skills to meet the organization's goals. As this division is charged with overseeing agency adherence to merit system principles, including veterans' preference, this is deeply troubling. What has been done to address the low scores?

   The Human Capital Leadership and Merit System Accountability (HCLMSA) Division moved quickly and aggressively to respond to its FHCS results. Focus groups were held with Division employees to better understand specific concerns and what the employees felt should be done. As a result of these discussions, action plans were developed with specific commitments, timeframes, and designations of responsibilities. Training has been provided for division managers, and employee performance plans have been revised to better reflect expectations. Steps were also taken to improve communications and accountability. In addition, the Division has been restructured to better align program responsibilities to OPM's new Strategic and Operational Plan. I am hopeful that as a result of these efforts, we will see more positive responses from HCLMSA employees with respect to the 2006 FHCS now underway.

4. OPM is promoting new career paths in the federal government whereby federal employees no longer work a 40-hour week for 20 years. Rather, efforts are focused on part-time or temporary work for those who wish to gain experience or lend expertise to the federal government. Has OPM reviewed what impact these proposed changing career patterns will have on federal employee ethics rules and regulations?

   The Career Patterns initiative will help the Federal Government compete for the workers needed to carry out agency missions. It recognizes that increasingly workers seek, and agencies may best be served by, nontraditional, in addition to, traditional employee-employer arrangements. Additionally, encouraging the employment of retirees, part-time, temporary and other non-traditional workers broadens, rather than narrows, the talent pool and skill base engaged in carrying out the work of the Federal Government. However, the Career Patterns initiative will not compel Federal agencies to hire particular categories or patterns of workers.

   While the Career Patterns initiative will increase the relative percentage of non-traditional workers, including teleworkers, it is important to note that such workers and such work arrangements already exist. The Career Patterns initiative will not establish new classes of workers and I do not believe it will require modification of existing ethics rules or establishment of new ones. Moreover, this initiative does not imbue any special privileges, rights, or obligations on workers who are associated with a particular pattern or who fill a position that has been categorized by Career Patterns. As with any new initiative, we, of course, will closely monitor implementation efforts and recommend changes as necessary.

5. Congress has provided agencies the flexibility to recruit and retain a high-quality workforce. However, our subcommittee hearing on the use of these flexibilities indicates under use because of lack of funding, lack of understanding, or lack of training on the use of these flexibilities. In addition, for those flexibilities requiring OPM approval, we routinely hear from agencies that the OPM approval process takes too long. What is OPM doing to address the timeliness in responding to agencies seeking to use certain flexibilities? What is OPM doing to educate agencies on these flexibilities, and do you believe OPM has a responsibility to help agencies budget for their use?

OPM is committed to being a model agency. As part of this effort, we have established several customer service and timeliness goals under our new Strategic and Operational Plan to ensure we provide quality, on-time service to all Federal agencies. One of those goals commits OPM to responding within seven business days when agencies seek authority to use human capital flexibilities such as direct-hire authority, early retirement authority or separation incentives (buy outs and early outs), dual compensation waivers, and extensions of temporary and term appointments. When the situation demands, we can and do respond even more quickly as we did recently when we approved in one day a request for dual compensation waiver authority from Customs and Border Protection at DHS, in order to meet the hiring demands of the President's Secure Border initiative. We carefully track response times and make adjustments as needed.

In addition, OPM has provided substantial guidance to agencies to educate them on various flexibilities. For example, following changes in the law governing recruitment, relocation, and retention incentives, OPM issued detailed regulations in May, 2005, held an interagency forum to review the changes, and posted a number of fact sheets and questions and answers on its website. The only flexibility in those regulations requiring OPM approval is the waiver of the 25-percent cap on those payments. To date, no agency has come to OPM requesting a waiver of that cap. OPM recently submitted its first annual report to Congress on agencies' use of recruitment, relocation, and retention incentives for calendar year 2005, as required by section 101(c) of the Federal Workforce Flexibility Act of 2004. This report showed that these incentives have been effective in assisting agency recruitment and retention efforts

As another example, OPM has also taken steps to further educate agencies on the use of student loan repayments as a recruitment and retention tool. OPM hosted interagency forums, joined with agency program managers to establish an interagency working group, established an email distribution list to facilitate communication, and shared agencies' best practices. Moreover, we continue to use the OPM web site to post current guidance and information on student loan repayments.

Other examples of OPM efforts to educate agency human resources professionals about available hiring flexibilities include:

* OPM launched a Federal Hiring Flexibilities Resource Center website which provides information for agency Human Resources professionals on the following hiring flexibilities:

a. Hiring Veterans
b. Direct Hire Authority
c. Student Employment
d. Excepted Service
e. Category Rating

* OPM conducted more than 25 hiring flexibility symposiums in cities across the country in 2005 and 2006, as well as numerous sessions in Washington, DC, and a major national Federal human resources conference which was held in Baltimore in February, 2006. In addition, OPM is providing information on hiring flexibilities at four key Federal Career Days scheduled for this Fall and also shared similar information at key Veteran Service Organization annual conferences during this past summer.

* OPM developed category rating training which we presented to several Federal agencies this year. We are also making course materials available to Federal agencies for their in-house use.

* OPM developed the Career Patterns initiative – a new approach for bringing the next generation of employees into Federal Government positions. An online guide introduces the Career Patterns approach to recruiting and offers cutting edge techniques and planning tools to help agencies recruit and retain talent. As part of this roll out, we conducted, and will continue to conduct, workshops with Federal agencies to help them better understand and implement this initiative.

With respect to agency budgeting for use of these flexibilities, it is important to note that there is not and should not be a one-size-fits-all approach. Agencies with unique missions need to decide which flexibilities can be most helpful to them. OPM's mission, as stated in our new Strategic and Operational Plan, is to ensure the Federal Government has an effective civilian workforce. We accomplish this critical objective by providing agencies human capital advice, leadership, training, and education; delivering human resources products and services; ensuring compliance with merit systems principles and protection from prohibited personnel practices; and holding agencies accountable for their human capital practices. Ensuring that human capital strategies are aligned with organizational objectives and budget strategies is essential. At the same time, OPM does not have and should not have the responsibility of deciding for agencies which flexibilities they must use and how they must budget for use of any such flexibility.

6. As a long-standing supporter of work-life programs and telework, I am very interested in your efforts to promote flexible working arrangements for federal employees. However, with the recent number of data breaches at federal agencies, telework programs have received increased scrutiny. What is OPM doing to address concerns with data security while increasing telework opportunities for federal employees?

As the lead agency for government-wide telework, the Office of Personnel Management (OPM) provides guidance and assistance to Federal agencies on their telework programs. In light of the recent security breach experienced by the Department of Veterans Affairs and other similar problems that have received widespread attention, the Administration and OPM are assisting agencies in meeting security challenges by stressing the importance of agency compliance with the Government-wide computer security rules issued by the Office of Management and Budget and developed by Congress as part of the Federal Information Security Management Act, Computer Security Act of 1964 and other OMB guidance. For example OPM educates agencies on the importance of using computer security standards such as those issued by the National Institute of Standards and Technology (NIST), especially NIST standard 800-46, in its revised Telework Guide which outlines the responsibilities of employees and managers for securing Government property and information. In addition, our 2006 annual telework survey for agencies requests further background on agency efforts to ensure the security of related equipment.

7. According to the Equal Employment Opportunity Commission, the number of workers employed by the federal government who are disabled has decreased 16 percent since 1996. What is OPM doing to address this issue?

   In an effort to enhance opportunities for persons with disabilities to become employed by the Federal Government, OPM published final regulations on July 26, 2006, the 16th anniversary of the Americans with Disabilities Act, to expand the types of entities from which an agency can accept proof of disability and certification of an applicant's job readiness while simultaneously simplifying and streamlining the process agencies use to appoint these individuals. OPM sent a copy of these regulations to your subcommittee along with an offer to brief your staff further. We also issued companion guidance on using the regulation, and we alerted agency Chief Human Capital Officers and special placement coordinators.

8. Comptroller General Walker testified that agencies reported a number of concerns regarding OPM's administration of the Senior Executive Service pay-for-performance certification process, such as the lack of consistent and clear guidelines, as well as the issuance of timely guidance. What is OPM doing to address these issues and ensure that all agencies are given appropriate, consistent, and timely guidance?

   Since the law that mandated SES performance management system certification took effect in 2004, OPM has worked diligently and consistently with agencies to help them work through the changes required for all SES performance management systems. Agencies were at very different places in evaluating executive performance from where they are today. Before 2004, there were several large agencies operating under a pass fail system. Today, there are none. Before 2004, the majority of the senior executive service was paid at the highest levels allowable. Today, there is a marked distribution across the full pay spectrum. Before 2004, 75% of senior executives were rated at the highest level; today that number is 43%. The message that OPM has consistently conveyed to agencies is that SES performance ratings and rewards must be tied to results. It appears that message has been heard.

As to timely communication, OPM holds quarterly SES Forums for all agency Executive Resources managers. These forums include updates on the status and guidance for SES appraisal system certification. Discussions regarding SES system certification also occur at the monthly CHCO meetings. OPM's Human Capital Officers and the staff of OPM's Excellence in Performance Management Implementation Group provide in depth technical assistance and guidance on a daily basis to agencies regarding their specific systems and executive performance plans.

9. General Walker's testimony also notes that OPM's expertise has declined over the last decade and that one chief human capital officer believed OPM's capacity is dependent on a few key employees. What steps is OPM taking to make sure that as key senior executives and managers retire or leave OPM that there are others to step into their jobs?

Like other agencies, OPM has been engaged in succession planning for its key personnel in the event they leave or retire from the agency. This planning has provided a framework showing the availability of necessary management competencies throughout OPM. As a result, OPM's senior leaders can implement initiatives addressing any gaps between what is needed and what currently exists. The framework has revealed that for 3% of our mission critical personnel, the necessary leadership competencies are currently unavailable within OPM. Action plans have been developed to ensure we can address this gap as we continue to monitor the workforce needs required by our new Strategic and Operational Plan.

10. OPM currently assigns one human capital officer as the main contact person to each agency. However, this action may impede, rather than facilitate, access to timely technical guidance. Although I know the intent was not to cut off OPM experts from interacting directly with other agencies, there may be unintended consequences. I believe that restricting access does not foster communication. How well is the current system working, what metrics are used to support the assessment, and will there be any reconsideration of current policy?

With the passage of the Chief Human Capital Officers Act in 2002, Federal agency senior human resources personnel became more responsible and accountable for ensuring agency policies are implemented consistently within and across departments and agencies. As the executive administrator of the Chief Human Capital Officers Council, established by the Act, OPM promotes contact with these senior officials in carrying out the spirit of the law as passed. OPM does not believe promoting these officials as an appropriate point of contact for each agency in any way deters communication between agencies. Rather, we believe it enhances it. As such, we believe we should continue this additional effort to ensure agency human capital needs are being met by OPM, whether on a technical or strategic level.

Comptroller General
of the United States

United States Government Accountability Office
Washington, DC 20548

August 4, 2006

The Honorable George V. Voinovich
Chairman
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: *Oversight of the Office of Personnel Management: OPM's Ability to Lead and Implement Governmentwide Human Capital Reform Efforts*

Dear Mr. Chairman:

This letter responds to your July 10, 2006, letter, in which you and Senator Akaka raised several questions as a follow-up to my June 27, 2006, testimony before your Subcommittee, entitled *Office of Personnel Management: OPM Is Taking Steps to Strengthen Its Internal Capacity for Leading Human Capital Reform.*[1] The questions, along with my responses, follow.

Questions from Senator Voinovich

1. Part of OPM focuses on selling services to federal agencies, which directly competes with the private sector. Do you believe this component of OPM compromises OPM's ability, integrity, or reputation as being an honest broker for advancing human resources policy? Does this mission divert necessary time, attention, or resources away from OPM's core responsibility as advisor to the President on human capital policy?

OPM has the statutory authority both to regulate federal human capital policy and to offer products and services to federal agencies on a reimbursable basis. While there may be some conflict between these two responsibilities, such conflicts are likely to be limited. For most of the services that OPM offers, including staffing, training, and

[1]GAO, *Office of Personnel Management: OPM Is Taking Steps to Strengthen Its Internal Capacity for Leading Human Capital Reform,* GAO-06-861T (Washington, D.C.: June 27, 2006).

consulting, there is no requirement for agencies to use OPM, and agencies are free to provide the service in-house or to contract with either OPM or the private sector.

Agencies are required to use OPM for some of the services it provides, but in such cases, the benefits of OPM's services to federal agencies likely outweigh any disadvantages. For example, it is useful to both agencies and the public to have a single listing of all federal job vacancies on the USAJOBS Web Site, for which OPM assesses fees for maintenance and Web Site enhancements. As another example, in the Intelligence Reform and Terrorism Prevention Act of 2004,[2] Congress determined that it made sense for a single agency to process security clearances for federal employees. OPM performs this service for other agencies on a reimbursable basis.[3] Furthermore, the requirement for agencies to utilize OPM for these services does not preclude OPM from using private sector contractors to support these services. In fact, OPM has contracted with the private sector for support for both the USAJOBS Web Site and personnel security clearance investigations.

Finally, it is not unprecedented for a federal agency to provide reimbursable services and charge fees to agencies and entities over which they have regulatory authority. For example, the General Services Administration regulates federal employee travel, federal agency procurement, and federal buildings, while simultaneously providing related services to agencies on a reimbursable basis.

2. During GAO's review, did you identify any particular area of concern, or significant skill gap, that OPM must address in order for it to successfully lead the federal government's human capital transformation?

We have reported that strategic workforce planning addresses several critical needs such as: (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals, and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals.[4] As you know, OPM issued its *Strategic and Operational Plan, 2006-2010,* in March of this year. While this plan focuses on tangible results, it lacks a clearly defined vision for OPM's role in governmentwide human capital reform, and any resources and competencies needed to fulfill that role are not well articulated. We will be elaborating on our analysis of OPM's strategic and operational plan in our forthcoming report in November 2006. Other key documents that would be useful to

[2]Pub. L. No. 108-458 (Dec. 17, 2004).
[3]We have previously reported concerns regarding OPM's ability to process security clearances due to the inexperience of its domestic investigative workforce. GAO, *DOD Personnel Clearances: New Concerns Slow Processing of Clearances for Industry Personnel,* GAO-06-748T (Washington, D.C.: May 17, 2006). While OPM reports that it is making progress in hiring and training new investigators, the agency notes it will take a couple of years for the investigative workforce to reach desired performance levels. We will continue to monitor the challenges that OPM faces with processing security clearances for federal employees.
[4]GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning,* GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

identifying needed skills and competencies—such as OPM's strategic human capital plan—are not available at this time.

It is critical that OPM assesses its mission-critical workforce skills relative to the human capital reform competencies and needs of the future. OPM will need expertise in modern performance management systems and compensation if it is to lead agencies through human capital reforms. Agency Chief Human Capital Officers (CHCO), human resource (HR) directors, and their staffs we spoke with expressed concern about OPM's current workforce capacity and the OPM technical expertise needed to provide timely and accurate human capital guidance and advice. They also expressed concern about the loss of OPM employees with technical expertise that will be needed to effectively assist agencies with future human capital efforts. One CHCO believed OPM's capacity depends upon a few key employees, in particular in the area of innovative pay and compensation approaches. OPM can bridge this gap between current capacity and future needs by hiring employees with the appropriate skills and/or contracting these services to knowledgeable providers. We will continue to monitor the issuance of key documents related to OPM's workforce, skills, and competencies, and as noted earlier, we will present our views on OPM's strategic and operational plan in our forthcoming report.

Communication and collaboration are also key aspects of OPM's ability to support agency human capital reform efforts and establish a consistent reform message. OPM Director Linda Springer, has stated that she envisioned the OPM of the future as having a greater emphasis on collaboration and consulting capabilities. Also, OPM's CHCO told us that HR specialist positions are difficult to fill. The work of HR specialists ranges across policy development, consultation and agency outreach, and operational recruitment and staffing activities. In prior work, we identified the HR specialist as a mission-critical occupation,[5] and HR specialist was also listed as a mission-critical occupation in OPM's 2003 human capital plan.

Questions from Senator Akaka

3. Your testimony raised serious concerns with the Human Capital Leadership and Merit System Accountability (HCLMSA) division at the Office of Personnel Management (OPM). As you know, this division ensures that agencies are complying with merit system principles– the backbone of the federal civil service. What do you believe are the key problems facing the HCLMSA division and what specifically should OPM do to address issues there?

As I testified on June 27, the results of OPM's 2004 Federal Human Capital Survey and a series of follow-up focus group discussions showed that OPM employees overall, have a number of concerns regarding perceptions of agency leadership, talent and

[5]GAO, *Federal Employee Retirements: Expected Increase Over the Next 5 Years Illustrates Need for Workforce Planning,* GAO-01-509 (Washington, D.C.: Apr. 27, 2001).

resources, customer focus, communication and collaboration, and performance culture and accountability. These concerns expressed by employees were greater for employees in the HCLMSA division, particularly in the areas of leadership and performance culture. Communication was another area of concern for HCLMSA employees, and agency officials we met with also identified communication as an issue that OPM needs to address. Action plans developed by OPM in May 2006 contain a number of actions that OPM has taken and plans to take to address employee concerns. For example, OPM is planning to improve communication in general through such means as visits to OPM field locations, brown bag lunches with the Director, an employee suggestion e-mail box, and Web casts. Action plans specific to the HCLMSA division include ongoing and planned actions such as devoting time to employee concerns during existing executive staff meetings and establishing quarterly cross-divisional meetings to encourage communication and learning opportunities across divisional lines. Ongoing and planned actions to address concerns in the area of leadership include implementing a 360 degree tool or similar assessment for development and feedback to executives and managers and including employees in defining work objectives and identifying how to achieve them. The HCLMSA division actions plans also include a number of ongoing and planned actions to address employee concerns in the area of performance culture. We believe that these ongoing and planned actions are appropriate and should help OPM address a number of the agency's management challenges. OPM leadership should continue to monitor the status of these actions and communicate the status and any changes to OPM employees agencywide.

4. As you know, there is a growing call for replacing the General Schedule with pay-for-performance. Under current proposals, OPM will be charged with evaluating agencies' performance management systems. Do you believe OPM is ready to do this? If not, what first steps must OPM take to be prepared to evaluate and certify that agencies are prepared to implement personnel reform? Do you believe OPM has the staff and resources to evaluate the performance management system applying to the Senior Executive Service?

I have concerns regarding OPM's current ability to evaluate and certify agency performance management systems and, as previously stated, whether they currently have the appropriate workforce skills and staff. We have reported that in order to move to market-based and more performance-oriented pay systems, executive branch agencies must demonstrate, and OPM should certify, that agencies have the institutional infrastructure in place to ensure the pay reform is effectively and equally implemented. At a minimum this infrastructure includes a modern, effective, credible and validated performance management system that provides a clear linkage between institutional, unit, and individual performance-oriented outcomes.[6] We have also reported the conclusion of many that the standards and process for defining a job and

[6] GAO, *Human Capital: Designing and Managing Market-Based and More Performance-Oriented Pay Systems,* GAO-05-1048T, (Washington, D.C.: Sept. 27, 2005).

determining pay in the federal government are inflexible, outdated, and not applicable to the jobs of today.[7]

OPM's planned actions to address its employee concerns and the management challenges we have identified through our ongoing work will be key to OPM's ability to fulfill its mission and role in governmentwide human capital reform efforts. While the steps taken by OPM thus far demonstrate progress, the agency must continue on this path by closely monitoring and communicating with its employees and customers, expanding its workforce and succession planning efforts, and continuing to create a "line of sight" or alignment and accountability throughout the organization.

As mentioned before, communication was specifically identified as an area of concern by agency officials we met with during the course of our ongoing study. A majority of agency CHCOs and HR directors told us that OPM could improve the clarity, consistency, and timeliness of its guidance to agencies. Also, several officials commented that OPM expectations of them were often unclear. These concerns were clearly illustrated as agencies conveyed their experiences with the SES performance management system certification process. Our work on high-performing organizations and successful transformations has shown that communication with customers and stakeholders should be a top priority and is central to forming the partnerships needed to develop and implement an organization's transformation strategies. Specifically, an appropriate customer communication strategy would include consistency of message and encourage two-way communication.[8]

We are continuing to evaluate the SES performance management system certification process as an illustration of OPM's ability to assume any broader or additional responsibilities as part of any proposed human capital reform effort. We are also reviewing the OPM governmentwide initiative—the Human Capital Accountability and Assessment Framework (HCAAF)—which OPM describes as its "roadmap for transformation" as an illustration of OPM's approach to building agencies' capacity to operate in a reform environment and as a tool for governmentwide improvement of human capital management. We plan to further discuss the SES performance management system certification process, the HCAAF, and any lessons that might be learned in our forthcoming report.

5. Your written testimony notes that agencies need sustained leadership from multiple parties in order to overcome the challenges facing them. This leadership would come from OPM, the President, the Office of Management and Budget, Congress, and department and agency leaders. You also state that "people are critical to any agency's successful transformation." Although I agree that leadership at the top must be engaged in transformation efforts, I also believe that federal managers and employees,

---

[7] GAO, *Human Capital: Additional Collaboration Between OPM and Agencies Is Key to Improved Federal Hiring*, GAO-04-797, (Washington, D.C.: Jun. 7, 2004).
[8] GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).

as well as their elected representatives, should be brought into the discussion. Do you agree with that assessment, and at what point do you believe employees and managers should be a part of the discussion?

I completely agree that federal managers and employees must be brought into each agency's transformation efforts. I believe it is absolutely essential to obtain employee input. We have reported that one practice consistently found at the center of successful transformations is the involvement of both managers and other employees to obtain their ideas and gain their ownership for the transformation.[9] Employee involvement strengthens the process by including frontline perspectives and allows them to share their experiences and shape policies and procedures as they are being developed. Employees should be involved at the beginning of the transformation process to tap their ideas, understand their interests, and help achieve their buy-in for the changes that are occurring in the organization.

There are many ways to obtain employee views and feedback as an agency moves through its transformation process. Employee surveys, focus group discussions, and mechanisms to obtain employee suggestions, can be effective means to obtain employee input. To address employee concerns regarding views of senior leaders, OPM is establishing a process in all divisions to solicit employee input on various initiatives and setting aside "open door" time for employees to speak with their managers. Furthermore, in response to the 2004 Federal Human Capital Survey and 2005 OPM focus group discussion, OPM has created an action plan to help employees better understand how their work fits into the overall mission of the agency by providing a mechanism to increase employee input to work plans related to its strategic plan. OPM's planned actions are important steps in the right direction.

I appreciate the opportunity to respond to these questions. I look forward to working with the Subcommittee as we progress toward governmentwide human capital reform.

Sincerely yours,

David M. Walker
Comptroller General
of the United States

(450520)

[9]GAO-03-293SP.