



MANAGEMENT CHALLENGES

Inspector General's Memorandum on Top Management Challenges

October 19, 2004

MEMORANDUM FOR KAY COLES JAMES

Director

FROM: PATRICK E. McFARLAND
Inspector General

SUBJECT: Top Management Challenges

The Reports Consolidation Act of 2000 requires the Inspector General to prepare a list of the top management challenges facing the agency for inclusion in the agency's Annual Performance and Accountability report. This year's submission is intended to highlight the key challenges facing OPM management, as well as note areas of improvement that we have observed.

While all of the challenges identified below and summarized in the enclosure are critical to the mission of OPM, we continue to believe that human resource management is especially critical given OPM's government-wide leadership role in this area. The challenges included on our list are:

- Human Resources Management;
- Department of Homeland Security;
- Retirement Systems Modernization;
- Implementing e-Government Projects;
- Accelerated Deadline for the Performance and Accountability Report;
- Revolving Fund and Salaries and Expenses Accounts;
- Maintaining and Improving the Performance of the Federal Employees Health Benefits Program (FEHBP);
- Improving the Implementation of the Government Performance and Results Act;
and

- Background Investigations

We have identified these issues as top challenges because they meet one or more of the following criteria:

- 1) The issue involves an operation that is critical to OPM's core missions;
- 2) There is a significant risk of fraud, waste, or abuse of OPM or other government assets;
- 3) The issue involves significant strategic alliances with other agencies, OMB, the administration, Congress, or the public;
- 4) The issue is related to the Presidential Management Initiatives; or
- 5) The issue involves a legal or regulatory requirement not being met.

The attachment to this memorandum includes written summaries of each of the challenges that we have noted on our list. These write-ups include a description of the efforts of OPM management to resolve each challenge. This information was obtained through our analysis and follow-up discussions with senior agency managers so that the most current, complete and accurate characterization of the challenges could be presented. I would like to point out that one of the challenges included on this list last year, *OPM's Restructuring*, has been removed as a result of the progress made in implementing the organizational changes initiated in March 2003.

I believe that your leadership and support of agency management is critical to meeting these challenges and will result in a better government for the American people. I want to assure you that my staff is committed to providing any technical support needed and that they continue to have an excellent working relationship with your managers.

If there are any questions, please feel free to call me at (202) 606-1200.

Attachment

TOP MANAGEMENT CHALLENGES
OFFICE OF PERSONNEL MANAGEMENT
OCTOBER 19, 2004

1. HUMAN RESOURCES MANAGEMENT

OPM, the federal human resource management agency, has the lead role in building a high quality and diverse Federal workforce that is protected by merit system principles. OPM also oversees Government-wide implementation of one component of the President's Management Agenda—advancing Strategic Management of Human Capital. In this capacity, OPM is committed to providing agencies the tools to manage their workforce as described in the Human Capital Standards for Success.

Given this leadership role, human resources management continues to be one of the top management challenges for OPM. It is essential to the success of any personnel system that it be merit-based, ensure fair and equitable treatment of employees and applicants, and that policies and procedures for implementing civil service systems allow for open and equal opportunity for compensation, training and development, and career advancement. OPM is confronted with improving the overall effectiveness of government and improving agency accountability for conducting human resource management in accordance with these merit system principles while assisting agencies in implementing their strategic human capital management plans. Part of the challenge lies in educating federal managers about the human resource flexibilities that are available and monitoring the use of these flexibilities.

OPM's leadership role requires significant attention and resources. The following are some of the areas in which OPM is facing this challenge, and the progress being made by OPM to improve human capital management throughout the government:

- OPM continues to work with the Office of Management and Budget (OMB) to assess the status of each agency's strategic human capital action plans, assessing them for weaknesses, and suggesting new strategies to make them successful. This is done quarterly in conjunction with OMB's review of each agency's President's Management Agenda scorecard assessment. OPM provides recommendations to OMB on agency progress associated with the Human Capital Standards for Success as set in the OMB scoring process for the Strategic Management of Human Capital. OPM's impact on assisting agencies is demonstrated in the most recent scores for the human capital initiative, with 7 of 26 agencies receiving a status rating of Green and 14 of 26 receiving a status rating of Yellow as of June 30, 2004. Only five agencies remain at a Red status rating. This is an improvement from last year, when no agencies had a status rating of Green and 12 of 26 had a Yellow status rating.
- OPM uses the Human Capital Assessment and Accountability Framework (HCAAF) as the basic document supporting its human resource work. The HCAAF is used in the day-to-day guidance OPM gives agencies, as well as providing a pathway for agencies to follow in their efforts to achieve a "green" score on the President's Management Agenda in the Strategic Management of Human Capital area. OPM compares agencies plans, actions, and results to the HCAAF Standards and Critical Success Factors on a quarterly basis, and then combines these results to provide an overall picture of the state of human capital across the Federal Government.

- The President's Management Agenda also includes an initiative to expand A-76 competitions. In carrying out this initiative, work now performed by federal employees could be shifted to the private sector, and will have a government-wide impact on federal human resource management operations. As a result, OPM will face the challenge of providing leadership in managing not only the civil service, but also a whole range of contractors who perform work for the federal government.
- The work relating to the Department of Homeland Security (DHS) and the Department of Defense (DOD) will be invaluable as OPM continues to enhance, overall, the federal personnel systems that will best enable federal agencies to accomplish their mission while at the same time protecting Merit System principles. The final regulations for a new personnel system at DHS are currently under review by OPM. OPM and DHS have worked together to complete these regulations before submitting them to Congress. In addition, OPM has worked with DOD on the planned implementation of many new personnel system initiatives in the upcoming year. OPM has provided valuable assistance in the development and training related to these initiatives, while ensuring they are supported by a rigorous system of accountability and compliance program to ensure appropriate implementation.
- The OPM 2002 Chief Human Capital Officers Act, effective May 2003, provided for a chief human capital officer at every major agency. OPM heads the Chief Human Capital Officers Council (Council), which meets periodically to advise and coordinate on human capital activities. The Council formed subcommittees in October 2003 to assist in identifying effective solutions for five human capital topics needing immediate attention:
 - The hiring process;
 - Performance management;
 - Leadership development and succession planning;
 - Employee conduct and poor performers; and
 - Emergency preparedness.

The subcommittees are tasked with recommending policy changes, needed legislation, or other strategies for moving the issue forward and returning to the Council with concrete ideas for action. The progress of the subcommittees varies, with some, such as the subcommittee on Leadership Development and Succession Planning recently receiving approval of its recommendations, and others still in the idea formulation stage.

- The National Defense Authorization Act for Fiscal Year 2004 contains a number of initiatives that have government-wide implication, such as amending the Senior Executive Service (SES) pay system; creating the Human Capital Performance Fund (HCPF); requiring OPM certification of performance management plans; and the requirement for agency surveys. For many of these initiatives OPM has either issued interim or final regulations, yet they will continue to require a significant amount of guidance, support and assistance on the part of OPM to agencies in order to ensure that agencies' programs initiated in response to these requirements are properly implemented.

2. DEPARTMENT OF HOMELAND SECURITY

The legislation which formed the Department of Homeland Security (DHS) required the Office of Personnel Management to partner with the new Department to recommend the human resource systems to be implemented as DHS became a single, unified agency. OPM was challenged with developing a system uniting 170,000 Federal employees from 22 agencies, 17 separate unions, and 7 different payroll systems in a single Department with a mission to protect America.

Last year, OPM and DHS released their report of 52 design options for human resource systems. The options identified a broad range of human resource alternatives in the areas of pay, performance, labor-management relations, discipline and appeals. OPM has now concluded an 18-month process of collaboration with employees, leaders, and union representatives from DHS to develop enabling regulations for a more flexible human resources management system that remains consistent with merit system principles. These flexibilities simplify the hiring process and reduce the time required to recruit and hire a diverse, high quality workforce. Publication of the final regulations is expected shortly.

OPM continues to put forth considerable resources toward the DHS human resource initiative, which will benefit OPM's overall strategic approach to human resource management for all federal agencies. The implementation of the DHS regulations will require significant attention and support from OPM on an ongoing basis. The process used with DHS will serve as an example of the benefits of early and continuing collaboration with all stakeholders as OPM addresses the need for other human resource changes throughout the federal government.

3. RETIREMENT SYSTEMS MODERNIZATION

Modernizing the Federal government's retirement systems continues to be one of OPM's most significant, high risk challenges. The agency administers the Federal Retirement Program which includes both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). The present computerized systems that support the processing of both CSRS and FERS retirement information are insufficient in their processing and programming techniques. In order for OPM to maintain current service levels to retiring employees, to keep up with customer expectations, and to manage the workload associated with significant increases in the FERS retirement annuitant population, the retirement systems must be modernized.

In responding to this challenge, OPM is actively working on two major components of the retirement systems modernization project (RSM). These include (1) soliciting bids for a licensed defined-benefit technology solution and (2) developing a data conversion strategy (historical paper to electronic, historical electronic and recurring electronic).

As reported last year, OPM determined that the most effective and efficient way to achieve system modernization is to license the required technology from an existing administrator of defined-benefits retirement systems. As one of several initial steps, RSM project managers issued a draft request for proposals (RFP) to solicit comments/questions prior to the release of the final RFP for procuring a licensed defined-benefit technology solution. The purpose of this draft was to ensure that the final RFP promotes a healthy competition and provides prospective offerors with the necessary information to effectively develop a response to this solicitation. The final RFP is expected to be posted on FedBizOpps.gov, the Federal government's single point-of-entry for Federal government procurement opportunities, prior to the end of fiscal year 2004.

RSM also requires the development and population of two unique centralized data repositories. The first is the Retirement Data Repository which will store electronic retirement data across the Federal government. The second is the Financial Data Repository which will include retirement account transactions and retirement contribution data. As an initial step, RSM project managers are piloting with another of OPM's e-government initiatives, e-Payroll, to migrate historical retirement data into an electronic form as agencies migrate to an e-Payroll provider. RSM is also working closely with the EHRI e-government initiative to leverage their data warehouse and data standardization efforts for all retirement related data coming from agencies. In addition, they are developing a draft RFP to solicit bids for the conversion of historical paper records (i.e., retirement files) maintained by OPM into an electronic format. The development of these centralized data repositories will improve overall retirement data integrity, help to reduce data maintenance costs, and enable ad hoc data inquiries.

Throughout calendar year 2004, OPM's RSM project team has also been testing a data entry tool to be used by federal personnel specialists to determine appropriate retirement coverage for federal employees. The purpose of this tool, or coverage determination application (CDA), is to help agencies improve the accuracy in selecting the appropriate retirement plan for federal employees. The CDA was initially released to a limited number of agencies and users. Beginning in October 2004, the tool will be rolled out government-wide.

In addition, the U.S. Government Accountability Office (GAO) has recently initiated a review of OPM's retirement modernization program. They plan to review the current status and future plans of RSM, as well as the challenges OPM program officials face in successfully managing the project. According to RSM officials, GAO is particularly interested in the licensed technology procurement activity.

4. IMPLEMENTING E-GOVERNMENT PROJECTS

The President's electronic government (e-Gov) initiative seeks to enhance access to and delivery of government information and services through expanded use of technology. OPM is challenged with providing a human resource management (HRM) system that federal agencies can use to improve their ability to build and maintain a high quality and high performing Federal workforce. This HRM system will consolidate many of the essential, but now separate, functions of current HR systems including: payroll, training, security clearance, recruitment, and enterprise HR data warehouse. With an HRM system, HR professionals can gain greater efficiencies and effectiveness in the management of human capital development and human resources administration.

The OPM e-Gov initiatives consist of six inter-related systems that support a government worker's life cycle. They are Recruitment One-Stop, e-Clearance, Enterprise Human Resource Integration (EHRI), e-Training, e-Payroll, and Human Resource Information Systems (HRIS).

- **Recruitment One-Stop:** Recruitment One-Stop is a collaborative effort between OPM and its federal agency partners to develop a comprehensive Web site (www.usajobs.opm.gov) to assist applicants in finding employment with the federal government. It provides a one-stop web site for federal job seekers through a single application point that provides a range of information and tools, including vacancy information, application submission, status tracking, and other tools. OPM launched the new USAJOBS and StudentJobs websites on August 4, 2003 with enhanced features for job searchers and recruiters. The websites contain a new streamlined resume builder function and enhanced on-line application capabilities. A resume mining tool was also implemented with the new website. Agency on-line resume building and job search engine capabilities will be shut down in favor of OPM's centralized system.

During FY 2004, Recruitment One-Stop implemented a series of enhancements to USAJOBS, including updates to the job search options, streamlined job search agent registration, improved spell checking for resumes, and improved job announcement display, among others. In addition, Recruitment One-Stop has integrated job postings and online applications with several agencies and automated hiring systems using new USAJOBS technology.

- **e-Clearance:** This project focuses on consolidating and increasing access, and leveraging technology to improve the efficiency and speed of granting or locating previous clearances or investigations. The e-Clearance Verification System (CVS) was deployed in FY 2003 and provides a single point of access to clearance information located within OPM and DOD systems. Also in FY 2003, a government-wide on-line version of the SF-86 paper-based Questionnaire for National Security Positions was created. This system is called e-QIP or Electronic Questionnaires for Investigations Processing. OPM also initiated an effort focused on making digitally imaged investigative records held by investigative agencies available electronically for all authorized federal users through a secure web-based system.

- **Enterprise Human Resource Integration (EHRI):** The EHRI initiative reaches back to March 1999, when OPM conceived of a Government-wide network for exchanging federal Human Resources (HR) information. It was called the Human Resources Data Network (HRDN) and it focused on enabling the electronic transfer of HR data throughout the Government and eliminating the need for a paper employee record. In January 2002, the project was renamed EHRI and included among a group of e-Gov initiatives designed to improve the internal efficiency and effectiveness of Government operations. The purpose of the EHRI initiative is to facilitate human capital management activities by providing storage, access, and exchange of standard electronic information, through development of a data repository of standard core human capital data for all 1.8 million executive branch employees. In September 2003 the initial release of EHRI's data warehouse was deployed along with the base workforce analysis, forecasting and business intelligence tools, and in June 2004 the second release provided expanded operating capability. In the fall of 2004, additional enhancements are planned.

EHRI supports human resources management across the federal government at all levels from front-line employee to senior management. The result is comprehensive electronic personnel record-keeping and an analysis system covering the entire life cycle of federal employees from hire to retirement. EHRI will eventually replace the current paper-based Official Personnel Folder with an Electronic Employee Record and will support managers across the government in analyzing and planning human capital requirements. OPM faces the challenge of seeking agreement across federal agencies on standardizing the over 500 data elements, imaging specifications, processes, and procedures relating to human resources information needed to create a standard electronic employee record. OPM also faces the challenge of ensuring agencies provide the necessary data to support this initiative.

- **e-Training:** The e-Training initiative, in ongoing support of the President's Management Agenda, continues enhancement of the Gov Online Learning Center, supporting the development of the Federal Workforce through simplified and one-stop access to high-quality e-Training products and services, and thus, advancing the accomplishment of agency missions. As of the end of the 3rd quarter of fiscal year 2004, the e-Training initiative had approximately 250,000 registered users, 205,000 course completions, and 52 agencies had migrated to the GoLearn.gov environment.
- **e-Payroll:** The goal of the e-Payroll initiative is to substantially improve federal payroll operations by standardizing them across all agencies, integrating them with other human resource functions, and making them easy to use and cost effective. The 26 existing federal payroll system providers are in the process of being consolidated into 4 providers. OPM still faces the challenge of getting federal agencies to agree on standardized business practices and procedures that all can use. It is necessary to agree on payroll standards so that OPM can fully address agencies unique payroll requirements. The e-Payroll team is currently developing a schedule for going forward with standardization efforts and coordinating these efforts with OPM program offices and major stakeholders.

- **e-HRIS:** This initiative is centered on standardization and modernization of core Personnel Transaction Processing (PTP) across the Federal Government. e-HRIS is supporting the President's Management Agenda by transforming the current federal HRIS environment into one that is modern, cost-effective, standardized, and integrated with other management information systems and e-Gov initiatives across the Federal Government. Currently, the project team is focusing on standardizing PTP processes and policies and defining functional requirements for human resource systems and interfaces.

While OPM has made great progress in moving forward with its e-Gov initiatives, many challenges still lie ahead. All of the OPM e-Gov initiatives still have significant components which have yet to be accomplished, many of which involve migrating agency-unique systems into consolidated systems.

5. ACCELERATED DEADLINE FOR THE PERFORMANCE AND ACCOUNTABILITY REPORT

The due date for agency Performance and Accountability Reports beginning with FY 2004, as mandated by OMB, is November 15, just 45 days after the fiscal year-end. The effort required to achieve this will be substantial, and in fact, began almost three years ago for OPM with planning meetings. Many parties have come together in the effort to make this happen, including financial management and staff, program managers with performance reporting responsibilities, the independent auditors, and, somewhat unique to OPM among CFO Act agencies, outside parties such as the health benefit and life insurance carriers who report financial information to OPM that is included in OPM's consolidated financial statements.

One of the key challenges for OPM in meeting this deadline was to determine what to do about the dependency on this financial information from outside sources. The process of obtaining and then incorporating this information into OPM's statements had to be rethought and reworked in order to be able to prepare the financial statements less than 30 days after year-end, a full 3 months earlier than just a few years ago. This had to be communicated to the carriers in order to obtain their buy-in to the process, and a few large carriers were recruited to pilot the new process in FY 2003. This pilot test of the revised process was successful in confirming that the procedures would work, as well as identifying areas where the procedures could be improved.

As this letter is being prepared, OPM is on target to meet the November 15 due date. Until all of the procedures become routine for the parties involved however, preparing and having the financial statements audited by November 15 will be a significant challenge for the agency.

6. REVOLVING FUND AND SALARIES AND EXPENSES ACCOUNTS

Developing and implementing strong internal control procedures in OPM's financial management systems for the Revolving Fund (RF) and Salaries and Expenses (S&E) accounts has been a top agency challenge for several years. The weaknesses in this area have been reported not only in previous management challenges letters, but in the CFO Act audit reports and FMFIA reports over the years as well.

One of the most significant areas in need of improvement is the reconciliation of the Fund Balance with Treasury (FBWT) accounts with related subsidiary records and Treasury balances. Transactions recorded that impact FBWT also affect other general ledger accounts, such as accounts receivable and accounts payable. Therefore, control weaknesses related to FBWT entries affect the completeness and accuracy not only of the FBWT accounts, but many other accounts as well.

OPM's Independent Public Accountant, KPMG, in audit work that they performed related to the FY 2003 RF balance sheet, identified various control and system deficiencies that impact FBWT. KPMG's findings, reported to OPM in a management letter dated April 29, 2004, included the following:

- GFIS (OPM's financial accounting system) does not properly include all of the required receipt and disbursement transactions in the report that is used to generate and report the monthly Statement of Transactions (SF-224). The Division for Management and Chief Financial Officer (MCFO) generates additional "ad hoc" reports to identify transactions omitted from the original SF-224, but no formal controls are in place to ensure that all activity is identified and included in the SF-224 submissions to Treasury.
- The MCFO does not reconcile differences between their general ledger and Treasury records of the monthly activity recorded in the FBWT accounts.
- The MCFO is not effectively reconciling the transaction activity in the FBWT accounts. The RF FBWT reconciliation process consists of comparing monthly FMS control reports to GFIS account balances, but no review and/or reconciliation of the differences is performed.

In addition to the weaknesses related to FBWT, KPMG reported that subledgers or other detailed records for other line items were often not reconciled to general ledger control accounts; supervisory and analytical reviews of transactions and balances were inadequate or non-existent; and transaction codes used to record general ledger entries were defined incorrectly in some cases. These deficiencies often resulted in erroneous entries to, and balances in, the general ledger.

While the MCFO worked to make improvements in procedures and the accuracy of account balances, the independent auditors of OPM's financial statements included in their FY 2003 audit report the following areas as components of a reportable condition related to the accounting for the RF and S&E:

- **Timeliness of Transaction Entry and Reconciliation** – The auditor stated that the MCFO did not consistently record financial transactions or analyze its financial records in a timely manner, or consistently reconcile general ledger accounts to subsidiary ledgers.
- **Budgetary Accounting Structure** – The auditor stated that the MCFO had not fully implemented budget controls to provide reasonable assurance that budgetary transactions were properly recorded, processed, and summarized to permit the proper preparation of the Funds' financial statements.

In summary, KPMG concluded that there were significant deficiencies in the operation of the MCFO's internal control over financial management and reporting for the Revolving Fund and Salaries and Expenses Accounts.

In FY 2004, MCFO management undertook and implemented a number of initiatives to address RF and S&E issues, including the FBWT. MCFO management has

- implemented more stringent management oversight and review of RF and S&E transaction processing, controls and financial reporting;
- performed an exhaustive review of GFIS and its transaction posting and processing and, as a result, implemented substantial modifications and enhancements; and
- conducted extensive staff training.

Obviously, changing long-standing habits and practices related to the accounting for and internal controls over RF and S&E transactions will require time, resources and dedication by MCFO management. The MCFO has already taken a number of significant steps in this direction, and is committed to seeing that these changes are made.

7. MAINTAINING AND IMPROVING THE PERFORMANCE OF THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

As administrator of the FEHBP, OPM has responsibility for negotiating contracts with insurance carriers covering the benefits provided and premium rates charged for approximately 8 million individuals. Optimizing the programs' performance requires a continuous program improvement process. There are several key strategies that will have to be more fully considered in how best to maximize the performance of the FEHBP. In addition, there are several key factors that affect the programs performance, such as an aging population; increases in the use of prescription drugs and medical services; advances in medical technology; and overall inflation related to general health care services.

These factors have also contributed to ever increasing premium rates for health plans nationwide. For 2005, OPM, through aggressive cost-containment actions, was able to hold the average FEHBP premium increase to 7.9%, the first time in several years the increase has been less than 10%. Controlling these costs is an area of great concern to the government (which is responsible for 72% of the total premium), FEHBP enrollees, and OPM management. However, OPM is often limited in how much it can control premium cost increases without also cutting desired benefits.

OPM is challenged with determining and implementing the program changes that allow for maximizing resources and obtaining the flexibilities that produce the most cost beneficial benefits package to a population of enrollees that is aging overall. Over the last few years, OPM has implemented significant changes to improve the performance of the FEHBP, such as offering new Health Maintenance Organization/Consumer Driven products that give consumers additional choices that allow them to manage their own health care needs and their health care dollars. In addition, High Deductible Health Plans with Health Savings Accounts or Health Reimbursement Accounts were recently announced as additional options for 2005. Flexible Spending Accounts have been available to employees since July 2003. However, controlling costs and improving the performance of the FEHBP will require a continuous effort to explore alternatives and ideas.

One area of flexibility that has potential for program improvement, but is not available under current law, is to have OPM directly contract for selective benefits, such as dental and prescription drugs. This and other changes in regulations and the FEHBP law should be considered in the interest of improving the program's performance. In addition, OPM should consider what strategic alliances could be established to provide for maximum cost savings to the government, such as considering how best to partner with the Centers for Medicare & Medicaid Services at the Department of Health and Human Services to provide cost efficient benefits to the aging FEHBP population.

8. IMPROVING THE IMPLEMENTATION OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT

Congress and agency managers require relevant and credible performance measures and data to effectively fulfill their oversight responsibilities for federal programs. The Government Performance and Results Act of 1993 was designed to ensure the availability of such data by mandating that agencies set goals for program performance and report outcomes measured against those goals.

In March 2003, OPM re-structured its activities to better serve its customers. OPM then aligned its FY 2004 annual performance plan with its updated strategic plan to better show the relationship between goals, activities, resources, and outcomes. During FY 2004, OPM implemented a program logic approach for performance measurement to establish a clear and continuing relationship from the strategic goals to the program goals to the program indicators. This model emphasizes outcomes and outputs of programs as the basis for quantitative measures, making it easier to identify trends over time, while at the same time creating a framework allowing OPM to expand the use of efficiency measures. OPM is still in the process of developing performance indicators and methods of collecting data for the new goals.

As OPM moves toward integrating budget and performance information and using performance data to make funding decisions, the credibility of reported performance results will be critical.

Since 1997 the OIG has assessed OPM's efforts to implement GPRA. To ensure the collection and reporting of accurate, appropriate, reliable, and useful data to decision makers, this office has:

- provided implementation advice and assistance;
- given informal comments to OPM on various GPRA-related documents; and
- audited internal controls for selected data on program performance.

Although OPM has made progress toward meeting the challenge of how best to plan and measure its performance, significant opportunities for improvement remain. Our audits of several performance measures have indicated a need for stronger internal controls over the accuracy, reliability, and completeness of performance data. While these audits typically look at only a small sample of OPM's universe of measures, we believe that controls over performance data could be improved by (1) enhancing and/or developing policies and procedures for obtaining and compiling performance data; (2) improving oversight over performance data; and (3) improving the maintenance of documentation supporting performance results.

Another challenge that OPM faces is developing performance indicators for policy programs independent of surveys. In FY 2003, OPM decided not to conduct the Federal Human Capital Survey, the HR Director's Survey or the HR Specialist's Survey. As a result, many indicators did not have reported results. Developing alternative performance measures would lessen the need to rely solely on survey results.

In order to achieve the intended benefits of GPRA, we believe OPM must strive to reach the point where performance measures are more stable from year to year, and the process of gathering, reviewing, and maintaining data for those measures becomes routine.

9. BACKGROUND INVESTIGATIONS

OPM is responsible for setting government-wide investigations policy to ensure the fitness and suitability of applicants for positions in the Federal Service. Through this authority, background investigations for many Federal agencies are conducted by OPM's Center for Federal Investigative Services (CFIS) through a contract with US Investigations Services (USIS). In addition, OPM's Center for Security and Emergency Actions (CSEA), in the Division for Management and Chief Financial Officer, is responsible for OPM's personnel security and suitability programs. CSEA has the responsibility for initiating and adjudicating investigations for OPM employees. OPM faces challenges in handling investigations in both of these areas, as described below:

a. Background Investigations Conducted for other Agencies

Since September 11, 2001, requests for background investigations have dramatically increased. Investigation requests received by CFIS increased 92 percent from 1,004,471 in FY 2001 to 1,931,794 in FY 2002. Due in part to this increased workload, USIS' timeliness for completing investigations has sharply decreased. For example, in FY 2001 the 75-day case service was completed on average in 63 days, while in FY 2003 this same service was taking 266 days.

In addition to timeliness concerns, maintaining the quality of investigations is also an issue. As part of its oversight of the USIS contract, OPM reviews case quality on a regular basis. While the contractual standard for deficient cases is no more than 3%, the actual deficiency rate for the third quarter of FY 2004 was 12.9%. While this is actually an improvement from prior periods, it is still significantly above the standard. To address the timeliness and quality issue, CFIS has contracted with other background investigations companies to assist in handling the increased workload.

Since the late 1990s, OPM has also performed a substantial number of the Defense Department's background investigations in an effort to help reduce a significant backlog in their investigations program. Figures from September of 2004 for cases that OPM is handling for DOD showed that approximately 230,000 Defense employees and contractors, and another 97,000 with civilian agencies, are awaiting investigations to be finished. Thousands more are awaiting final approval of completed investigations. The total number of Defense requests for security clearances rose to more than 600,000 in 2003 and 800,000 in 2004. In fiscal year 2003, the average security clearance for Defense took 375 days to make it through the entire process.

Under legislation enacted as part of the Defense Authorization Act of 2004, OPM Director James could, at her discretion, accept a transfer of the Defense Security Services' (DSS) investigative staff, which would add approximately 1800 employees to OPM. Defense managers argue that moving its security clearance operation to OPM will save money, cut down on redundancy, and reduce the backlog. As of September 2004, no decision had been made by Director James on whether to accept the transfer of DSS to OPM. Through a cross-servicing agreement with OPM, DSS has already taken steps to help resolve the backlog of cases by using OPM's case management system to process Defense background investigations.

However, before any transfer of personnel takes place, DSS performance and cost implications must be thoroughly evaluated to ensure OPM can handle the transfer. In addition, OPM must ensure its own backlog of cases is properly managed prior to merging DSS' operations with its own.

b. Background Investigations Conducted for OPM Employees

Internal reviews at OPM have identified numerous concerns regarding the management of this program. They include:

- CSEA has a backlog of work—A clean-up effort began in late 2003 aimed at bringing all investigations of OPM employees up to date. As of October 2004, a CSEA tracking system revealed 1405 investigative actions were necessary as part of this clean-up. These included 237 employees or contractors with no record of investigation; 862 OPM employees requiring an upgraded investigation; and 306 OPM employees with the specific investigation requirements yet to be determined.
- The CSEA security office is not always notified when an employee moves from a lower risk level to a higher risk level position in OPM, resulting in the need for a higher level investigation.
- Position designations have not always been kept current, resulting in situations where the level of investigation ordered is inconsistent with the actual duties for the position.
- OPM was not in compliance with 5 CFR 732, which requires that investigations for individuals selected for Critical-Sensitive positions be completed pre-appointment, or be post-appointment within 14 days of appointment with a waiver.

Since the identification of these issues, CSEA has made numerous improvements in the management of the personnel security program. Some of these include:

- Establishing a system to track investigations;
- hiring additional staff;
- cleaning up files by creating a security file for each employee and taking steps to ensure the appropriate investigation is initiated for each employee;
- working with Human Resources to get position descriptions for each employee; and
- working with Human Resources to get a monthly report of new hires, separations, and internal moves.

The challenge for OPM is to ensure that each person at OPM has an investigation that is appropriate for his/her position description and that upgrades and re-investigations occur per the regulations. The CSEA office must ensure cleanup of the OPM personnel security records to be in compliance with the regulations and must ensure that the day to day work of initiating and adjudicating investigations occurs.