# Part 4: FY 2004 Performance Information

## (Unaudited—See accompanying Independent Auditors' Report)

This section provides a detailed reporting on all of OPM's annual performance goals and indicators for FY 2004. The annual goals are organized under the strategic goal and objective to which they link, as described in OPM's FY 2004 Congressional Budget Justification/Annual Performance Plan *(see Part 2 — Management Discussion and Analysis)*. Each strategic goal is the primary responsibility of one of OPM's program divisions, and no organization is responsible for more than one strategic goal. Each of OPM's strategic goals represents a broad area of achievement for a specific business line, as shown below.

### Table 11 — OPM Strategic Goals, Business Lines, and Program Offices

| Strategic Goal | Business Line | Program Office |
|---|---|---|
| Strategic Goal I | Human Resources Policy | Division for Strategic Human Resources Policy |
| Strategic Goal II | Human Capital Leadership; Merit System Compliance | Division for Human Capital Leadership and Merit System Accountability |
| Strategic Goal III | Delivering Products and Services | Division for Human Resources Products and Services |
| Management Strategy | Policy Leadership and Internal Operations | Executive Offices; Division for Management and CFO |

Success in achieving the annual performance goals is measured by performance indicators, each of which has an assigned target, or by other performance information that demonstrates whether the goal or desired level of achievement was attained. Goals are scored as "met," when the targets for all or most quantitative indicators were met, or if other information provided demonstrates the conditions described by the goal were achieved. Goals are scored as "partially met" when the targets for at least some indicators are met or when performance improved over the previous fiscal year.

Because of the accelerated publication date for this report, the collection of performance data has not been completed or has not yet occurred for some performance indicators. In these situations, alternative information is presented that explains what OPM accomplished during FY 2004 in that area. A complete accounting of all performance indicators is provided in Appendix A — Data Sources. Data for the remaining indicators will appear in succeeding external performance-related documents, beginning with OPM's FY 2006 Congressional Budget Justification/Performance Budget and the FY 2005 PAR.

# STRATEGIC HUMAN RESOURCES POLICY

With the renewed vision and structure that Director Kay Coles James has established for OPM, the first Strategic Goal and its subordinate objectives and related Annual Performance Goals is now focused entirely on the Federal Government's human resources management policies. This realignment of strategic direction is also reflected in there being an entire program division within OPM similarly focused entirely on this policy work. This represents a change from the past when policy activities were spread across goals and units that carried broader responsibilities for developing and delivering assistance, programs, and services as well. OPM remains convinced that this realignment is a positive development for the agency and, more important, for the entire Federal Government. However, the timing, structure, and related processes associated with the implementation of GPRA presents special challenges for a pure policy organization. Meaningful measures and indicators of policy outcomes and successes are still evolving. Major policy changes may take significant time for implementation and for their related programs to be developed, implemented, and matured enough to reflect changes in employee perceptions about the human capital management practices in their agencies. Even more challenging is the continual likelihood that this arena will see initiatives and require responses and policy development work that simply cannot be reasonably forecast far enough in advance to include in the GPRA planning cycle. The results reported here and the multiple indicators for which data collection is still outstanding reflect these dilemmas facing OPM's policy division as it reports its FY 2004 accomplishments. For those reasons, this report includes considerable material that offers evidence of the results achieved against continually emerging demands that may not have been knowable as an Annual Performance Plan was developed months and years before. OPM's policy organization, the Division for Strategic Human Resources Policy, remains the repository of the world-class technical expertise within OPM that the President and the Congress call upon routinely to address human capital management issues for the Federal Government.

## FY 2004 STRATEGIC HUMAN RESOURCES POLICY ANNUAL PERFORMANCE GOAL 1: OPM POLICY AND GUIDANCE HELPS FEDERAL AGENCIES IMPROVE THEIR HUMAN CAPITAL MANAGEMENT AND ASSISTS THEM IN MEETING THEIR STRATEGIC PERFORMANCE TARGETS.

**Status:** This goal was partially met.

### ANALYSIS OF FY 2004 PERFORMANCE

Data collection for many of the performance indicators for this goal has not yet been completed. Nonetheless, OPM's actions in several policy areas had both immediate consequences and long-term implications for human capital management practices in Federal agencies, and the goal is considered partially met. OPM's wide-ranging policy and policy support agenda for this goal included new options in employee benefits, and promotion of work/life and recruiting programs such as telework, student loan repayments, and academic degree support, as well as improvements in workforce information, workforce planning, and workforce shaping tools. By providing agencies with policy leadership along these lines, OPM will improve the performance of the Federal workforce so that Government will be citizen-centered, results-oriented, and market-based; and thereby better serve the American people and secure this Nation.

**Improvements in Health Insurance Options.** OPM developed a policy structure to enable it to offer high-deductible health plans (HDHPs) and HSAs under the FEHBP. The agency then amended its regulations, which had limited plans to two options, so that an additional HDHP/HSA product could be offered to participants.

The agency continued to study options for improving dental and vision benefits for Federal employees, with an eye toward a budget neutral approach similar to the Federal Long Term Care Insurance Program. OPM also closely monitored proposals for such programs that were being considered by the Congress during FY 2004.

*"… better health is an individual responsibility, and it is an important national goal … When it comes to your health, even little steps can make a big difference … This is an important message that we're sending to America. When America and Americans are healthier, our whole society benefits. And that's important to know. If you're interested in improving America, you can do so by taking care of your own body."*

*—President George W. Bush*

**HealthierFeds.** OPM developed and launched the new HealthierFeds website (www.healthierfeds.gov) in March 2004 to support the President's HealthierUS campaign and promote physical fitness among Federal employees. OPM's HealthierFeds campaign is also designed to meet this vision for responsive health care. The HealthierFeds website aims to educate Federal workers by incorporating a new focus on personal responsibility and the consumer's role in driving both quality and affordability in health plans.

**Telework.** OPM plays a major role in the Federal telework effort, which helps agencies attract, motivate, and retain well-qualified workers; addresses critical space issues; establishes alternative work places which can be utilized during emergencies; and ensures continuity of operations under a variety of emergency situations by allowing employees to work outside of their offices and thereby reduce traffic congestion and individual stress.

OPM promotes teleworking across Government. During FY 2004, the agency developed two interactive electronic training courses, one for employees and one for managers, distributed promotional kits to agencies, and hosted three Internet conferences for agency telework coordinators. In addition, OPM invited telework coordinators to its headquarters in Washington, DC, for four quarterly meetings and provided additional training sessions for the 17 lowest performing agencies (regarding telework participation). Five emergency preparedness sessions for agencies' emergency planning staff focused on the importance of incorporating telework into their agency continuity of operations plans.

OPM surveys agencies to determine the status of their teleworking programs. Based on the results of the survey conducted in October 2003, more than 750,000 Federal employees were determined to be eligible for teleworking, an increase of more than 125,000 from the previous year. The number who actually used the program increased from a little more than 90,000 to nearly 103,000.

Despite these improving statistics, OPM did not quite reach the performance targets set for the teleworking program. Although the number of teleworkers increased, so did the number of those who were eligible to use the pro-

**MORE FEDERAL EMPLOYEES TELEWORKING**
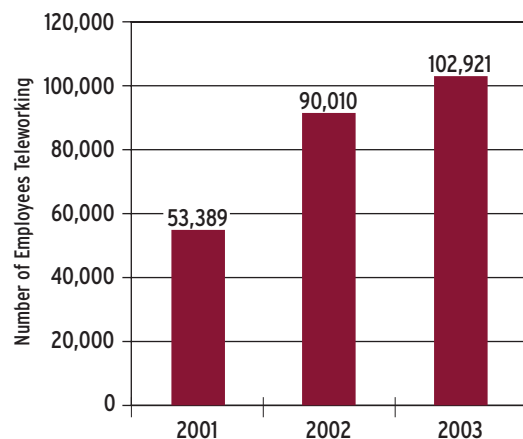
*"President Bush has asked us to make the Federal Government more efficient, and teleworking is one of the most dramatic ways to do that. Telework has a proven track record of increasing productivity and helping employees balance competing work and family obligations."*

*—Kay Coles James, OPM Director*

gram, so the percentage of those eligible who actually used the option remained at 14 percent. One newly established agency, which did not participate in the survey until FY 2004, did not have a formal plan for teleworking, and OPM is now working with it to produce one. The percentage of agencies that provide formal, written notice to employees about telework opportunities increased slightly, but not to the target level. However, this does not account for the disparity in employee population from one agency to another, and therefore produces a figure that may be misleading about how many employees have received notification. OPM may modify this measure in the future.

## Performance Indicators

### TABLE 26 — PERFORMANCE INDICTORS FOR TELEWORK POLICY

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Percent of major executive agencies that have a telework policy in place under section 356 of P.L. 106-346 | – | – | 97 | 100 | 100 | 99 |
| Percent of eligible workforce teleworking | – | – | 14 | 14 | 16 | 14 |
| Percent of major executive agencies that give eligible employees formal notice of the opportunity to telework | – | – | 39 | 45 | 55 | 46 |

– not available

**Expanded Academic Degree Training Authority.** OPM issued final regulations for a related authority aimed at supporting the continued development of employee competencies. The Chief Human Capital Officers Act of 2002 expanded an agency's authority to pay or reimburse employees for the cost of academic degree training when such training contributes significantly to meeting an identified agency training need, resolving an identified agency staffing problem, or accomplishing goals in the agency's human capital management strategic plan. In FY 2004, OPM issued final regulations implementing this expanded authority. The final regulations included changes that allow agencies more flexibility in establishing effective continued service requirements for employees following training. OPM views this tool as effective both to support recruitment and to support knowledge management among current employees.

**Increased Use of the Student Loan Repayment Program.**
OPM's ongoing policy support of the Student Loan Repayment Program began to bear fruit as use of the tool increased significantly. This program permits agencies to repay federally insured student loans as a recruitment or retention incentive for candidates or current employees of the agency. Based on an OPM survey of agencies conducted in FY 2004, usage of this incentive program increased greatly during FY 2003, as measured by the number of recipients and the dollars paid out. In addition, the maximum one-year payment increased during this period from $6,000 to $10,000, and the total any one person could receive was increased from $40,000 to $60,000.

OPM received comments from agencies via the survey indicating the program has stirred interest on recruiting trips to college campuses, and it has helped agencies meet workforce diversity goals and remain competitive with the private sector for top-notch recruits.

**GROWTH IN STUDENT LOAN REPAYMENT PROGRAM**



**Workforce Management Tools.** OPM made advances in several policy areas that contribute to effective workforce management. OPM collects data from Federal agencies and places it in the Central Personnel Data File (CPDF), which provides information about the overall Federal workforce to agencies and others conducting research. The majority of OPM's customers (89 percent) expressed appreciation for receiving CPDF information and personnel guidance via email and over the telephone. CPDF accuracy remains over 90 percent. During FY 2004, this and other workforce information was used to expand the information available on FedScope, OPM's online web database application, to include data on veterans and individuals with disabilities among the Federal workforce. OPM also provided accurate and timely recordkeeping, data standards, and personnel action processing guidance to more than 1,600 Federal human resources offices.

OPM issued final regulations to implement another workforce management tool, Voluntary Early Retirement Authority, in FY 2004. This authority has proved essential to agencies engaged in workforce reshaping efforts and to those implementing the outcomes of competitive sourcing studies conducted in support of a key initiative with the PMA.

**Other General Policies.** In FY 2004, OPM also supported various additional agency human resources management activities. OPM continued its leadership role for emergency preparedness and response by providing immediate guidance to agencies in emergency situations, such as the wildfires in California, relief from Hurricane Isabel, and the earthquake in central California.

OPM helped the U.S. Fish and Wildlife Service by establishing physical and medical qualifications standards for laboratory staff who deal with wildlife forensics, and assisted the National Oceanic and Atmospheric Administration in establishing pre-employment assessments for law enforcement applicants.

OPM also launched important development work in a new policy area that is central to the success of the Government's initiative to consolidate multiple payroll systems under the e-Payroll project in the Office of e-Government Initiatives. OPM is preparing standardized payroll operations policies as a key support to the long-term viability of this effort.
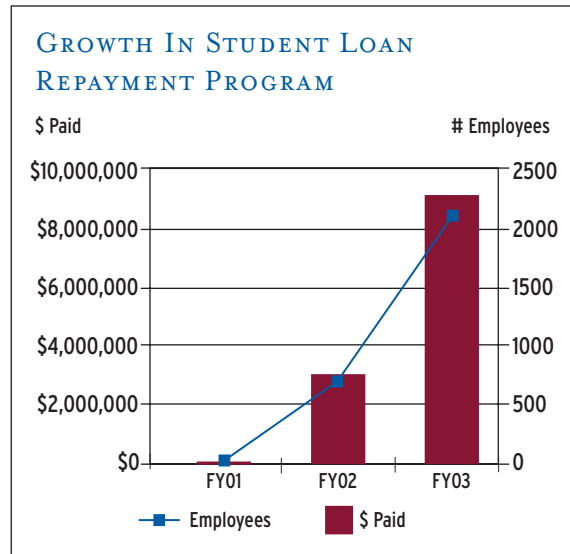
## Performance Indicators

### Table 27 — Performance Indicators for Workforce Information

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Average time to build a quarterly CPDF status file (days) | 7.7 | 3.9 | 2.6 | 3.0* | 5.0 | 3.16** |
| Average time to build a quarterly CPDF dynamics file (days) | 2.9 | 2.6 | 2.2 | 2.5* | 5.0 | 2.45** |
| Percent of CPDF status file data that are accurate | 95 | 97 | 97 | 97 | 97 | 96.3** |
| Percent of CPDF dynamics file data that are accurate | 91 | 93 | 92 | 91 | 92 | 91.1** |
| Percent of customers satisfied with workforce information products and services | 96 | – | 91 | 88 | 88 | 89 |

Note: CPDF status and dynamic files reports measure the accuracy of agency submissions to the database.
*FY 2003 statistics adjusted to include fourth quarter data.
**Data are for first three quarters only.

## FY 2004 Strategic Human Resources Policy Annual Performance Goal 2:
### Implement new integrated human resource systems for the Department of Homeland Security (DHS) and address legislative fixes as necessary.

**Status:** This goal was partially met.

### Analysis of FY 2004 Performance

OPM made substantial progress toward this goal through an intensive, persistent, and unprecedented effort in partnership with the DHS to develop a new integrated human resources management system for the Department. However, since OPM Director James and Homeland Security Secretary Ridge had not issued final implementing regulations as of September 30, 2004, and as OPM did not meet the performance indicator target for this goal, it must consider this goal to be only partially met. Nonetheless, the groundbreaking effort is noteworthy for its advancement of strategic human capital management at DHS and for the Government as a whole.

The Homeland Security Act of 2002 had far-reaching implications for human resources management in Federal agencies. Not only did the Act authorize the most sweeping reorganization of the Executive Branch in more than 50 years, it recognized the need for reform in how Federal employees are paid and managed and authorized substantial changes in those systems, while maintaining the Merit System Principles, veterans' preference, and other employee protections. Both the Administration and Congress expect that the new DHS human resources management system – followed by similar innovations at the DOD, as noted below – will lead the way to an overhaul of human resources management practices across Government and result in a Federal workforce that is better managed, more strategically paid, and high performing for the American people and this Nation.

The legislation that created DHS required that OPM partner with the new Department to recommend the human resources systems to be implemented as DHS becomes a single, unified agency. OPM was charged with developing a system uniting employees from 22 agencies, 17 separate unions, and seven different payroll systems into a single Department with a mission to protect America. In meeting these challenges, OPM has moved forward with DHS to establish its human resources systems as quickly, yet prudently, as possible.

OPM continually sought opportunities to ensure that existing initiatives and authorities were used in any way possible to support the establishment of the Department and to lay groundwork for the oncoming implementation of the new human resources management system under joint OPM/DHS regulations. For example, officials from OPM's e-

Government initiatives worked closely with DHS officials to ensure any benefits from those initiatives could immediately be reaped at DHS. OPM also used its Governmentwide authority for managing the Federal occupational structure to support the major DHS "one face at the border" initiative that was critical to the successful integration of legacy inspections and enforcement functions. In July 2004, OPM established a new occupational series and related qualification standard that brought several inspection and enforcement functions at DHS under a single series, improving the agency's overall business plan. OPM did not wait for the new integrated system to be regulated before supplying the Department with a necessary tool to achieve its strategic objectives.

With respect to establishing the more comprehensive, contemporary human resources management system the Homeland Security Act authorized, at this writing the Secretary of Homeland Security and the Director of OPM are very close to issuing final enabling regulations that establish a human resources management system for DHS. That new system is mission-focused, merit-based and provides for far greater flexibility and accountability in the way employees are paid, developed, evaluated, afforded due process and represented by labor organizations. The system is the result of an unprecedented and extensive process of deliberation, discussion, and collaboration with employees, representatives of labor organizations, supervisors, managers, senior agency officials, and other stakeholders begun in April 2003. All told, the process involved input from well over 2,000 DHS employees, just short of 100 subject matter experts, private sector, local, State, and Federal Government representatives, and the leadership of the Department's three largest unions.

*"Through the combined efforts of OPM and DHS, we have created a contemporary classification series and qualification standard that reflects the real-life duties of Federal employees who serve on the front lines in the war on terror and protect the interests of travelers and commercial business. For many employees covered by the new series, their decades-old job standards had been tailored to help America fight the Cold War. And just as our servicemen and servicewomen cannot use antiquated weapons to fight those who threaten America today, our public servants who work in law enforcement along our borders, who inspect shipments of goods, and who keep disease-carrying agricultural products from entering the country cannot operate effectively in a system that fails to recognize their current roles and contributions."*

*—Kay Coles James, OPM Director*

*"The Office of Personnel Management is playing a key role as a full partner in helping Secretary Rumsfeld reorganize personnel systems at the Department of Defense. This is a huge undertaking by any standard and one which will well serve the Department's employees."*

*—Kay Coles James, OPM Director*

OPM and DHS had successfully worked collaboratively with stakeholders through FY 2003 to develop design options for the new system. In February 2004, proposed enabling regulations in the areas of classification, pay, performance management, labor relations, adverse actions, and appeals were published for public notice and comment. Approximately 3,500 comments were received in response to the release of the proposed regulations.

The proposed changes were designed to ensure that DHS's human resources management system aligns with the Department's critical mission requirements while protecting the civil service rights of its employees. The collaborative process that produced the design options continued as the comments were considered, and legislative requirements to meet and confer with employee unions were met. OPM and DHS staff developed final enabling regulations for the new system and engaged in further discussions with stakeholders and Administration officials.

The process has been praised by GAO, Congressional leaders, and the presidents of DHS's major unions as being both inclusive and collaborative and will result in a human resources management system that both meets the critical needs of DHS and that will serve as a model for the Federal civil service system of the future. The entire process was guided from the start by principles that OPM Director James articulated in April 2004, in a document entitled *OPM's Guiding Principles for Civil Service Transformation.* Those principles, which involve no specific legislative proposals, include: preserve the ideal; maximize flexibility; leverage economies of scale; and ensure collaboration and coordination. The effect of all four will be clearly visible in the final DHS system, which is expected to be operational in FY 2005.

Since enactment of the Homeland Security Act of 2002, the President pursued an ambitious initiative to transform the Department of Defense (DOD), and that transformation included a significant focus on the human resources management policies affecting DOD's civilian employees. In November 2003, the President signed the National Defense Authorization Act for 2004 (NDAA), which included authorization for the Director of OPM and the Secretary of Defense to establish by joint regulation the National Security Personnel System (NSPS). Congress insisted that the process to establish the NSPS be similar to that used for DHS. In particular, Congress wanted to ensure a strong role for OPM to protect merit, employee rights and veterans' preference and to engage in a collaborative process with stakeholders patterned after the successful efforts with DHS. Once again, the goal is to afford a Department with a critical mission a modern, flexible human resources management system that can better support that mission. OPM is proceeding under its guiding principles for transformation. Director James has appointed to her personal staff an experienced senior advisor devoted to supporting the NSPS effort. Working with its DOD partners, OPM has successfully shared the lessons and models from the DHS experience and helped adapt them to the DOD organization and culture.

## Performance Indicators

### TABLE 28 — PERFORMANCE INDICATORS FOR PERFORMANCE CULTURE

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| DHS Rating for Human Capital on PMA Scorecard | n/a | n/a | n/a | n/a | Yellow status | Red status; green progress |

– n/a not applicable (new Federal agency)

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### FY 2004 STRATEGIC HUMAN RESOURCES POLICY ANNUAL PERFORMANCE GOAL 3:
### IMPROVE THE PERFORMANCE- AND MARKET-SENSITIVITY OF CURRENT CIVILIAN FEDERAL PAY SYSTEMS AND TAKE STEPS TOWARD MORE FUNDAMENTAL PAY MODERNIZATION BY PROPOSING LEGISLATION TO REPLACE CURRENT PAY SYSTEMS, WHILE CONTINUING TO ADMINISTER CURRENT SYSTEMS.

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**Status:** This goal was met.

### ANALYSIS OF FY 2004 PERFORMANCE

In FY 2004, Federal pay based on the passage of time rather than performance and without regard to market conditions became a thing of the past as a result of successful authorization of several related Presidential initiatives. In this year, Federal executives and one-half of the Government — the Departments of Homeland Security and Defense, arguably the two most critical agencies in the war on terrorism — began this historic transformation as a result of actions taken by the Congress and implemented by OPM in partnership with those Departments and with agencies throughout Government. It is noteworthy that in authorizing the NSPS to transform DOD by creating human resources flexibilities, Congress established a requirement that the NSPS include features to more strongly link employee pay and performance. It is equally noteworthy that the modernization of pay is being accomplished in a manner that does not come at the expense of the foundational values of the civil service — Merit System Principles, fair treatment, and collaboration and coordination in design and operation.

These changes were authorized by related provisions of the Homeland Security Act of 2002 (HSA), including its title XIII, the Chief Human Capital Officers Act of 2002 (CHCO Act), and the NDAA. The NDAA established a pay-for-performance system for senior executives and authorized a Human Capital Performance Fund to enhance the linkage of pay and performance for the general workforce. The previous year, the CHCO Act had provided access to higher limitations on aggregate compensation for senior executives and senior professional employees, contingent upon OPM certification, with OMB concurrence, of their performance appraisal systems as making meaningful distinctions among levels of performance.

**Reforming pay and performance management systems remain top priorities.** The prospects of using less rigid pay schemes are progeny of the original Department of the Navy China Lake, California, demonstration project begun in the early 1980s and those projects developed by the National Institute of Standards and Technology and the Internal Revenue Service. OPM believes there is no need for further demonstration and/or delay when it comes to pay-for-performance. Achieving the high-performance culture the President's Management Agenda calls for remains a priority throughout the Federal Government. As DHS and DOD pursue their pay and performance management frameworks, other agencies stand ready to move forward and modernize their systems as well. And for those agencies not quite ready to move forward, the modernization strategy should also provide for incremental transformation under more controlled conditions. The Human Capital Performance Fund is a good example, providing agencies limited but nonetheless important pay and performance flexibilities (and funding), subject to OPM approval and oversight. The future for performance-based pay remains strong, although there is wide recognition

that its success or failure will be directly tied to the actions and accountability of the managers who will make such systems work. A great deal of concern was expressed about their current capacity to manage performance-related rewards effectively, and the Human Capital Performance Fund statute included a provision to support manager training in the competencies that will be necessary for successful implementation of pay-for-performance. In addition, both DHS and DOD have pledged significant and sustained efforts to train and support managers and supervisors in implementing a pay system that is both fair and effective. Nonetheless, by taking action to link performance distinctions more strongly to pay, Congress provided a key element required for the Federal Government to establish and sustain a culture of high performance under OPM's leadership.

**Changing Executive Pay.** Pay reform should and does start at the top — with Federal executives. The way Federal senior executives are paid changed forever in January 2004, as new provisions of the NDAA took effect. No longer limited to just six specific pay levels that were adjusted upward automatically by annual pay increases, agencies now have much greater flexibility in executive pay, subject to certain statutory and regulatory restrictions that assure fairness (e.g., no executive's pay could be reduced for the first year). OPM acted to issue implementing regulations that assured that any increase in pay an agency might choose to give its executives had to be based on a determination that performance warranted the increase. Another feature of the new SES pay system will allow certain agencies access to higher rates of pay, up to Level II of the Executive Schedule, and a higher limit on aggregate compensation each calendar year from pay, awards, and allowances. Agencies' access to those higher rates hinges on the agency being certified, provisionally or fully, by OPM that it has a performance management system that makes meaningful distinctions among levels of its executives' relative performance. OPM has worked closely with agencies to position them to obtain such certification. Achieving this change to the executive pay system was critical to OPM's leadership of a more comprehensive compensation reform effort for the rest of the civil service not already affected by other human resources management system changes, such as those in DHS and DOD.

**Improving Pay at the Department of Homeland Security.** OPM worked with DHS on proposals that will replace the 50-year old General Schedule (GS) pay system at that Department. The GS pay system is not sufficiently market-sensitive, potentially under-valuing the talents of the Department's most critical employees at this most critical time. Under the GS pay system, all employees in a given geographic location receive the same annual pay adjustment without regard to their occupation or the level of duties and responsibilities they are expected to perform. The pay adjustment is also given without regard to performance. This "one size fits all" approach treats all occupations alike, across the board as well as in particular locations, regardless of market value and competition. Pay

*"The new [Senior Executive Service] rules are the outgrowth of three years of marked progress under the President's Management Agenda and illustrate a firm commitment to focus on performance and achieve results. Pay levels and pay adjustments for thousands of executives will now be determined by the evaluations earned under appraisal systems that make meaningful distinctions based on relative performance… These are important steps in reforming the Federal pay and performance systems."*

*—Kay Coles James, OPM Director*

comparisons between some Federal occupations with their private sector counterparts indicate Federal pay is lagging for entry level positions. The GS system provides within-grade increases primarily based on longevity instead of recognizing differences in performance.

The new DHS pay system is being designed to be much more market-sensitive. First, it would allow DHS, after coordination with OPM, to define occupational clusters and levels of work (called "pay bands") within each cluster that are tailored to the Department's missions and components. Second, it would give DHS considerable discretion, after coordination with OPM, to set and adjust the minimum and maximum rates of pay for each of those occupational clusters or bands, based on national and local labor market factors and other conditions. Instead of one size fits all pay rates and adjustments, the system would allow DHS to customize those adjustments and optimize scarce resources. In addition, the new DHS pay system would be much more performance sensitive. These market and performance flexibilities would enable DHS to allocate payroll dollars to the occupations and locations where they are most needed to carry out the Department's mission of protecting the homeland.

**Changing Civilian Pay at the Department of Defense.** As a result of intensive, collaborative efforts by OPM with DOD and with key stakeholders, legislation was enacted and implementation was begun with DOD and stakeholders on more flexible human resources management authorities for DOD civilians, known as the National Security Personnel System (NSPS). This includes the opportunity to change the way jobs are classified and people are paid at DOD. As noted above, Congress requires that the NSPS improve the link between employee performance and pay. Like DHS, the NSPS will be balanced and bounded by similar safeguards that maintain Merit System Principles, respect veterans' preference, and ensure collaboration and coordination in developing a mission-driven system of compensation and human resources management.

**Changing Pay for the General Workforce.** In a related provision of the 2004 NDAA, Congress responded to President Bush's proposal and authorized a Human Capital Performance Fund. This initiative would provide a substantial opportunity to base some additional civil service pay adjustments solely on performance. Although Congress authorized the fund, indicating its strong support for pursuing performance-based pay, adequate funds for the pay adjustments were not appropriated. Thus, no agencies sought or received any allocations, which would have been managed by OPM.

**Setting the Stage for Federal Law Enforcement Pay Changes.** As part of her intensive efforts to fashion a more flexible human resources system within a framework of core values, OPM Director James submitted a report to Congress urging such an approach for law enforcement officers across the Government who today are covered by an outdated classification and basic pay system that is not sufficiently sensitive to their unique labor markets and performance requirements, a rigid, half-century old retirement structure, and a confusing patchwork of premium payment authorities. That report was developed after months of intensive review and deliberation. The demands on Federal law enforcement agencies and their professionals are more global, more dangerous, and more dynamic than ever before, rapidly evolving in ways that we never anticipated just a few years ago. To meet those demands, OPM recommended that Congress provide OPM with broad administrative authority to establish a Governmentwide framework for law enforcement classification and basic pay, premium pay, and retirement. Such authority would be exercised by the OPM Director with the concurrence of the Attorney General and in consultation with employing agencies and employee stakeholders. This framework would be tailored specifically for law enforcement jobs, providing law enforcement agencies with flexibilities that only a few now enjoy, but with OPM playing a central, coordinating role, responsible for balancing Governmentwide interests with unique agency needs, missions and cultures.

**Maintaining and Improving Current Pay Systems.** While profound change is afoot with one-half of the Federal workforce (DHS and DOD), OPM has made great strides in updating the current pay system.

OPM worked with the Office of Management and Budget (OMB) to prepare and submit an alternative plan and two draft Executive orders to the White House to implement the original and subsequent retroactive 2004 pay raises for civilian Federal employees. OPM also prepared and posted two sets of pay tables and guidance to agencies to implement the original and retroactive pay raises.

OPM worked with staff of the other members of the President's Pay Agent (the Secretary of Labor and the Director of OMB) to draft regulations to make a substantial number of changes in locality pay areas. These changes were recommended by the Federal Salary Council and will take effect in 2005. The revised pay areas are based on new population and commuting data from the 2000 Census, new metropolitan area definitions promulgated by OMB, and new rules recommended by the Federal Salary Council for evaluation of areas adjacent to locality pay areas. This revision is the first substantial overhaul of locality pay area boundaries since the program began in 1994.

OPM also assisted the Federal Salary Council with its recommendations to the President's Pay Agent on the GS locality pay program which covers 1.3 million GS employees at an annual cost of $8 billion. The agency also assisted the Pay Agent with its annual report to the President on the GS locality pay program. These recommendations will influence pay determinations in FY 2005.

## Performance Indicators

### TABLE 29 — PERFORMANCE INDICATORS FOR PERFORMANCE CULTURE (PAY SYSTEMS)

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Pay tables updated in a timely manner | Pay tables issued in January 2000 | Pay tables issued in January 2001 | Pay tables issued in January 2002 | Pay tables issued in January 2003 | Milestones met | Pay tables issued in December 2003 |
| Issue new nonforeign area cost-of-living indices for Alaska | n/a | n/a | n/a | n/a | New indices issued | New indices issued in March 2004 |

n/a not applicable, pertinent to FY 2004 only

## FY 2004 STRATEGIC HUMAN RESOURCES POLICY ANNUAL PERFORMANCE GOAL 4:
### FEDERAL AGENCIES ARE PROVIDED STAFFING SOLUTIONS TO SIMPLIFY THE HIRING PROCESS AND REDUCE THE TIME REQUIRED TO RECRUIT AND HIRE A DIVERSE, HIGH-QUALITY WORKFORCE.

**Status:** This goal was partially met.

### ANALYSIS OF FY 2004 PERFORMANCE

Data collection for key indicators on this goal has not yet been completed, and OPM continues to develop appropriate measures in this area. Nonetheless, considerable gains were made on several fronts, and this goal is considered partially met as OPM provided agencies with tools to solve staffing problems, simplify hiring, and reduce the time needed to recruit and hire a diverse, high-quality workforce.

**Hiring Flexibilities.** OPM issued final regulations for two key flexibilities established by the Chief Human Capital Officers Act of 2002:

- **Category rating systems** for alternative competitive service examining, where applicants are grouped into quality groups instead of provided with a numeric score. Experience has shown that using this approach results in greater choice among high quality candidates, even with the continued application of veterans' preference as required. OPM is aware that agencies have been slow to adopt this approach and provided more guidance and training in FY 2004.

- **Direct hire authority** for appointing individuals directly to positions for which there is a critical hiring need or a severe shortage of candidates; veterans' preference is not applied, but public notice is required.

During FY 2004, OPM undertook extensive efforts to ascertain and analyze the level of agency use of these and other hiring flexibilities. By almost any measure, the results were disappointing, and OPM Director James directed that the Human Capital Leadership Program focus on an initiative to improve hiring (See HCLMSA Annual Performance Goal 1). OPM policy staff contributed continuously to this initiative by supplying guidance and background and educational materials. OPM supplied the agency staff who were supporting OPM's job recruitment fairs with job aids outlining a host of staffing flexibilities, particularly for hiring veterans. OPM held symposiums for agency staff on improving hiring practices on two occasions in Washington, D.C. OPM also sponsored a number of workshops on improving hiring both in the field throughout FY 2004 and at the Federal Workforce Conference in September 2004 in Baltimore, Maryland.

OPM policy staff worked closely with Human Capital Leadership staff to develop useful metrics for improved agency hiring and to determine which measures showed the most promise as additions to the Human Capital Assessment and Accountability Framework. Staff also continued to assess the relationships among such factors as the reluctance to delegate authorities to apply flexibilities, the skill level among human resources practitioners at headquarters and in the field, and the deterrent effect caused by requirements for expensive system changes to accommodate new processes and examining methods.

**Leadership Succession Planning.** To meet the Human Capital Standards for Success, agencies are required to develop leadership succession plans. To support the agency hiring and development efforts that such plans would naturally lead to, OPM made policy advances in two key areas. Using existing Governmentwide policy for establishing candidate development programs for entry into the Senior Executive Service, OPM policy staff worked with the Center for Leadership Capacity Services in the Division for Human Resources Products and Services to design a Governmentwide interagency Senior Executive Service Federal Candidate Development Program (Fed CDP). This program is expected to enhance agency succession planning initiatives and to support diversity among the program graduates who are successfully placed in SES positions.

After President Bush signed Executive Order 13318, Presidential Management Fellows Program, on November 21, 2003, OPM issued proposed regulations to rename the Presidential Management Intern Program as the Presidential Management Fellows Program and establish its two components, the Fellows Program and the Senior Fellows Program. OPM is analyzing comments and preparing final regulations to accommodate executive intent and facilitate program implementation.

**Occupational Structure and Standards.** During FY 2004, in addition to its ongoing fact-finding and standards development work, OPM made two significant improvements in the occupational structure and classification and qualification standards. OPM issued an enhanced position classification standard Fire Protection and Prevention Specialists (series 0081) to address the emerging security responsibilities for first responders, such as the emergency medical services work and hazardous material response assignments performed by firefighters.

*"We are confident that this new PMF Program will prove to be a critical tool to help agencies strategically access an educated, capable, and diverse group of emerging leaders."*

*—Dan Blair, OPM Deputy Director*

*"Federal firefighters provide professional preventive and emergency services of the highest caliber for American men, women, and children…across the country. With the issuance of standards, we recognize the significant contributions firefighters make to our national security as first responders, especially since 9/11."*

*—Kay Coles James, OPM Director*

As noted earlier under SHRP Annual Performance Goal 2, OPM also established a new occupation — customs and border protection officer — for inspection and enforcement work at DHS to support its "one face at the border" initiative and lay important groundwork for the new human resources management system. OPM also worked with DHS to establish appropriate qualification standards for work in that new occupation.

The job family occupational information and position classification standard for administrative (two-grade interval) work in the investigations, enforcement, inspection, and compliance fields (1800 occupational group) was drafted but not completed owing to the sensitivity of issues concerning how the new standard will impact the new DHS system. When it is completed in FY 2005, issuing this new job family standard alone will reduce the overall weighted average age of standards by 16 months. In addition, issuing two other standards that were delayed until FY 2005 will reduce the weighted average age by an additional 6 months.

## Performance Indicators

### TABLE 30 — PERFORMANCE INDICATORS FOR TALENT (FEDERAL HIRING)

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Number of occupational standards issued | 0 | 6 | 0 | 2 | 4 | 2 |
| Weighted average age of classification standards (months) | 228 | 178 | 188 | 198 | 192 | 203 |

# HUMAN CAPITAL LEADERSHIP AND MERIT SYSTEM ACCOUNTABILITY

## FY 2004 HUMAN CAPITAL LEADERSHIP AND MERIT SYSTEM ACCOUNTABILITY ANNUAL PERFORMANCE GOAL 1:
IMPROVE THE OVERALL EFFECTIVENESS OF MERIT-BASED GOVERNMENTWIDE HUMAN CAPITAL MANAGEMENT BY ADVISING AGENCIES AND PROMOTING BEST PRACTICES AND ASSESSING AGENCY IMPLEMENTATION OF HUMAN CAPITAL STRATEGIES.

**Status:** This goal was partially met.

### ANALYSIS OF FY 2004 PERFORMANCE

Although OPM has not completed all of its performance data collections for FY 2004, and has not met all of its performance targets for the year, available data demonstrates that OPM's Human Capital Leadership Program efforts resulted in significant progress toward this goal. Agencies made great strides in human capital management during FY 2004.

Under the President's Management Agenda (PMA), the President's vision for Government reform is guided by three principles: Government should be citizen-centered, results-oriented, and market-based.

The single greatest factor in the attainment of these principles is the management and performance of the Federal workforce. If Government is to be citizen-centered, high performance needs to define the culture of the workforce. As such, the following goals must be cascaded throughout the Federal Government:

- Attract and retain talented people who will demand and deliver sustained excellence and high levels of performance;

- Use clear and carefully aligned performance incentives for individual employees, for teams, and for leadership. In turn, these incentives must be clearly tied to reaching their agency's mission objectives;

- Meet and exceed established productivity and performance goals;

- Accountability for results must be clear and meaningful, with positive rewards for success and real consequences for failure.

If these goals are achieved, citizens can expect better service, more efficient use of taxpayer dollars, and better results from their Government.

OPM plays a Governmentwide role in helping agencies realize the President's vision, and serves as the consultant, as well as the enabler and auditor, of the Strategic Human Capital Management initiative. When the agencies succeed, OPM has succeeded. Their stories tell the story of OPM's results.

**Development and Application of the Human Capital Standards for Success.** In FY 2002, the President put forth a bold strategy for improving the management and performance of the Federal Government. One of the five key goals of that strategy was the transformation of human capital management throughout the Government. OPM, in coordination with OMB and the GAO, developed the Human Capital Assessment and Accountability Framework within which six Human Capital Standards for Success were outlined: Strategic Alignment, Workforce Planning and Deployment, Leadership and Knowledge Management, Results-Oriented Performance Culture, Talent, and Accountability. This framework was then used by agencies to guide their human capital transformation efforts.

The Human Capital Standards for Success are interrelated to serve the common purpose of producing a world-class workforce that delivers the highest quality products and service, and quickly adapts to changing environments. Each of the six standards can be placed into one of three categories: control, data analysis, and delivery. The first and last standards — *Strategic Alignment* and *Accountability* — are primarily control systems, and they keep the other standards operating effectively and efficiently. *Workforce Planning and Deployment* is primarily a data analysis system, and informs the development of plans and programs for the three delivery standards. *Leadership and Knowledge*

### HUMAN CAPITAL SUCCESS STORY: DEPARTMENT OF ENERGY

OPM's Human Capital Assessment and Accountability Framework outlines specific outcomes agencies can strive to achieve in all areas of their Human Capital transformation, including leadership planning and implementation. To ensure continuity of leadership, the Department of Energy's (DOE's) overall approach focused on developing high-, mid-, and lower level employees who have high potential for leadership positions. DOE has several department-wide leadership succession programs. The result of these programs is to feed DOE's leadership pipeline with a ready pool of leaders. Major programs include:

• An SES Career Development Program from which two participants have already been selected for DOE SES positions.

• An Executive Coaching Program with 19 participants who will receive tailored coaching to enable them to be future candidates for the SES Career Development Program.

• A Mentoring Program in which SES members serve as mentors to high-potential GS-13 through GS-15 protégés. The 2002–2003 pilot program resulted in more than 250 mentoring pairs department-wide.

• A Leadership Transition Program for GS-11 through GS-13 high-potential employees who are ready to transition to leadership positions. In the 2002 pilot, there were 16 participants, 10 of whom have since been promoted to leadership positions.

• A Corporate Supervisory and Managerial Training Curriculum program designed to develop capable managerial leadership at all levels within the department. Twenty DOE employees participated in the program during the last year and a half.
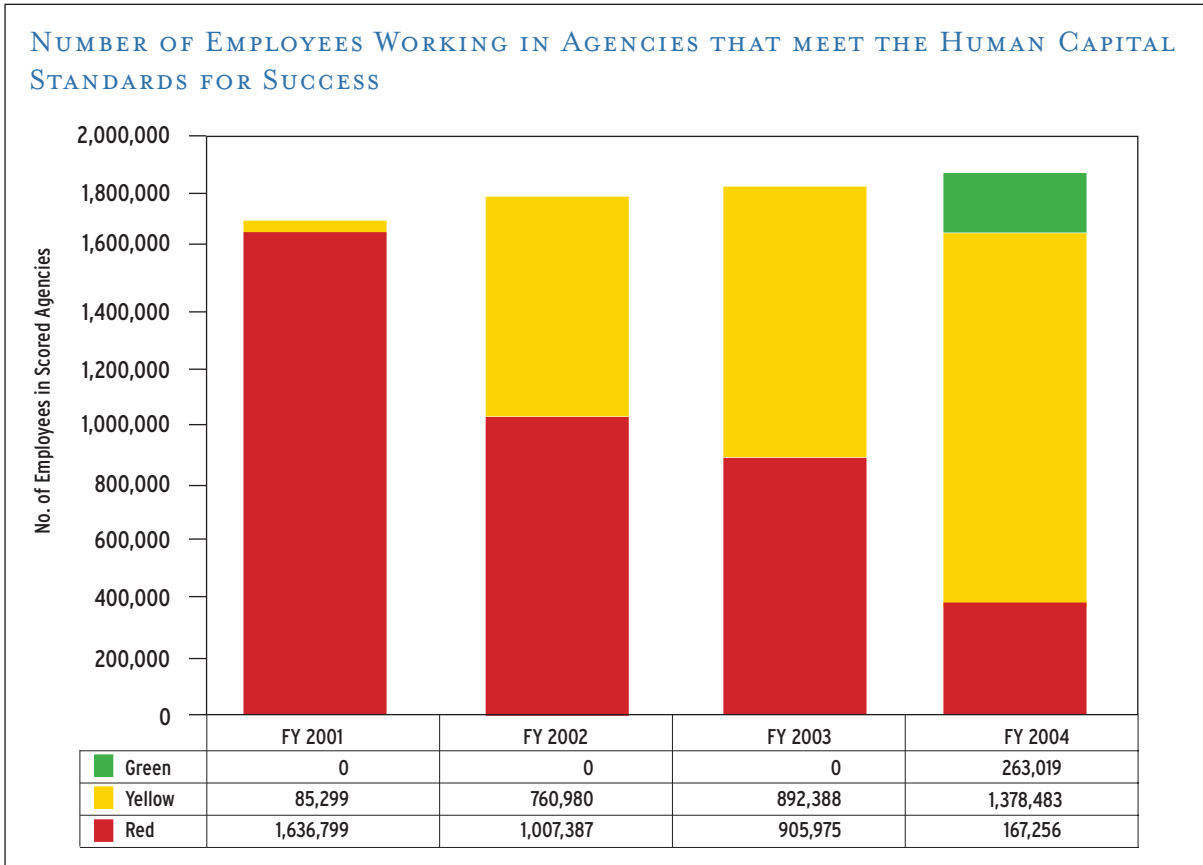
*Management, Results-Oriented Performance Culture*, and *Talent* are primarily delivery systems aimed at specific human capital outcomes (e.g., developing future leaders, distributing rewards fairly, recruiting high-potential employees). The figure on the previous page provides a simple illustration of the relationship among the various standards.

OMB and OPM use the PMA Scorecard to score agencies on their progress regarding each of the six Human Capital Standards for Success. Agencies are evaluated each quarter and scorecards show the agency's status and progress using a "traffic light" system. A green or yellow score is reported if an agency meets all the green or yellow standards for success, respectively. A red status indicates an agency has any one of specified deficiencies. Agency scoring progress provides a strong indication as to how effectively OPM achieved this goal in FY 2004.
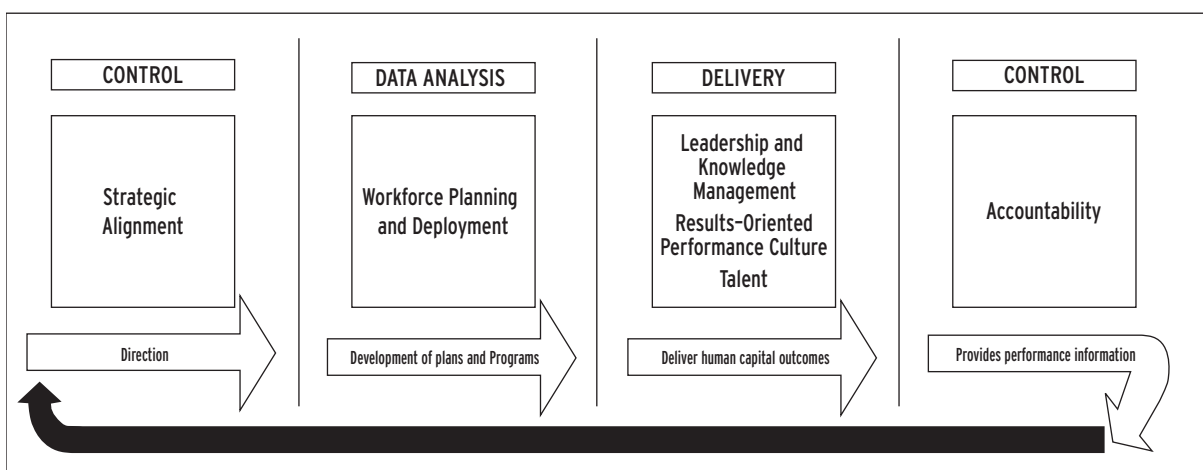
OPM is proud to report that 8 out of 26 agencies have attained a status score of green. Fifteen agencies are at status score yellow and are close to successfully completing their transformation efforts, and only three agencies are at status score red.

## NUMBER OF EMPLOYEES WORKING IN AGENCIES THAT MEET THE HUMAN CAPITAL STANDARDS FOR SUCCESS

| | FY 2001 | FY 2002 | FY 2003 | FY 2004 |
|---|---|---|---|---|
| Green | 0 | 0 | 0 | 263,019 |
| Yellow | 85,299 | 760,980 | 892,388 | 1,378,483 |
| Red | 1,636,799 | 1,007,387 | 905,975 | 167,256 |

With OPM's assistance, the transformation of human capital management throughout the Federal Government is well under way. This chart depicts the impact of this transformation on the scored agencies' employee base. In FY 2001, 1.6 million employees were in agencies that had serious deficiencies in their human capital strategies. Today, 1.6 million employees are in agencies that have either met all of the Human Capital Standards for Success or are in the process of doing so.

The table below depicts agency scoring trends since FY 2001.

## TABLE 31 — PMA STATUS SCORE SUMMARY FY 2001–2004

| Agency Score | FY 2001 | FY 2002 | FY 2003 | FY 2004 |
|---|---|---|---|---|
| Green | 0 | 0 | 0 | 8 |
| Yellow | 3 | 5 | 12 | 15 |
| Red | 22 | 21 | 14 | 3 |

Note: FY 2001 and 2002 do not include the Department of Homeland Security.

**Helping Agencies Improve Leadership and Knowledge Management.** As a measure of its effectiveness in assisting agencies improve their leadership capacity, OPM measures the number of agencies with leadership succession plans as a performance indicator for this goal. One of the largest sources of knowledge drain in the Federal Government is retirement of its workers with little transfer of knowledge to a successor. Having succession plans in place well in

advance of retirement or other departures affords the opportunity for critical skill and knowledge transfer, so that agency performance will not suffer after such an event.

Twenty-four agencies (92 percent) had leadership succession plans in FY 2004, a result that exceeded the target by 100%. The Department of Energy (see Human Capital Success story on the following page) is one agency that has developed such a plan. Leadership succession planning will continue to be an important area as agencies address the anticipated numbers of retirements through FY 2007, when 41 percent of Federal supervisors will be eligible to retire.

During FY 2004, OPM started a major Human Capital Knowledge Management initiative whose goal is to create an online knowledge reference and resource system for the Federal Government and other interested stakeholders. A *Human Capital Practitioners' Guide* is being developed which provides practical tools, methods, and resources for OPM's Human Capital Officers, agency human resource professionals, and program managers. It also contains a series of assessment instruments that will help human capital practitioners pinpoint weaknesses in their human capital programs and offer guidance on how to address those weaknesses through best practices and/or strategies.

The guide will be available on the Internet, providing readily accessible technical answers and flexible solutions to educate, inform, and guide those seeking answers and solutions. OPM will continue to work directly with agencies to develop their leadership succession plans and believe that significant progress in the number of agencies with quality leadership succession plans will result.

**Helping Agencies Implement a Results-Oriented Performance Culture.** OPM measures the number of agencies that have performance appraisal plans for all agency supervisors, managers, and executives and more than 60 percent of the workforce. These plans must:

• Align to the agency's mission, strategy, goals, and outcomes;

• Hold employees accountable for results appropriate to their level of responsibility;

• Include credible measures of performance;

• Effectively differentiate among various levels of performance; and

• Provide consequences based on performance.

The agency must also be working to include all its employees under such performance appraisal systems.

OPM assisted 14 agencies in linking performance plans for all agency supervisors, managers, and executives and more than 60 percent of the workforce in FY 2004 and thereby exceeded the target on this performance indicator for this goal. Twenty-five out of 26 agencies (96 percent) have their SES performance appraisals linked to agency mission, goals, and objectives. In addition, 17 agencies (65 percent) have performance evaluation systems that more clearly define what is expected of each employee and how they are performing relative to these expectations.

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HUMAN CAPITAL SUCCESS STORY: DEPARTMENT OF STATE

The Department of State's (DOS's) organizational structure is optimized and a process is in place to address future challenges including progress on rightsizing, regionalization, restructuring a worldwide financial system, and embassy staffing. All FY 2003 hiring targets in mission-critical occupations were met due to implementation of the DOS Diplomatic Readiness Initiative, a three-year effort to hire 1,158 employees. The department closed key skill deficits in Foreign Service hiring through aggressive outreach and recruiting campaigns to attract a diverse pool of candidates, as well as programs such as the Critical Needs Language Program, Student Loan Repayment Program, Language Incentive Pay Program, and Science Fellows Program. DOS is also reengineering its internal staffing processes to attain a 45-day model for its civil service hiring.

Based on OPM findings, 45 percent of employees in all scored agencies are transitioning toward pay for performance, labor management reforms, and all other PMA human capital reforms. As noted below, the Social Security Administration was one of the first agencies to establish a pay for performance program using available pay and cash award authorities. During FY 2004, OPM took initial steps to implement pay for performance legislation. It has prepared guidance for SES pay for performance programs and helped agencies develop their own programs. OPM is in the process of certifying, with the concurrence of OMB, agency senior employee performance appraisal systems, which will give agencies access to the new performance-based pay structures legislated by Congress.

The continued rollout of the pay for performance initiative will result in a significant increase in the number of certified SES performance management systems for senior employees and the number of agencies with linked performance plans for all employees.

**Helping Agencies Identify and Retain Talent.** OPM enables agencies to identify and address competency and skill gaps, particularly in mission-critical occupational areas, by implementing and maintaining programs to attract, acquire, promote, and retain quality talent. As a measure of its effectiveness in assisting agencies in improving their talent, OPM measures the number of agencies with significantly reduced skill gaps in mission-critical occupations. If agencies can fill their most critical positions with people who have the appropriate skills for that position, then the agency will be much better equipped to achieve its mission in a timely manner.

OPM supports this objective in two ways. It provides hands on direction and assistance to agencies to assure they have the most effective possible hiring practices. OPM's Human Capital Officers work with agencies to identify their mission critical occupations, assess the skill gaps in those occupations, and take effective action to close them. In FY 2004, nearly half the scored agencies reported significantly reduced skill gaps.

OPM also runs a full annual calendar of recruitment outreach programs to secure a large, well-informed pool of applicants for Federal jobs. To assess progress on this critical objective, OPM developed, administered and analyzed a survey of agency hiring practices to assess whether they were optimizing the hiring flexibilities and streamlining that OPM has put in place in recent years. The survey confirmed that agency attention to progress was not as strong as it should be, so OPM moved into action on multiple fronts. The cornerstone of OPM action was setting a clear, measurable goal: 45 days from end of recruitment to extending a job offer. The goal is intended not as "one size fits all" but as a strong signal that agencies need to establish measures for their hiring process and track progress against the measures. Focusing on the time between closing of recruitment to time of offer underscores the critical role that is played by both the hiring managers and the HR staff in the hiring process. The human capital scorecard now requires that agencies have regular, auditable system[s] for collecting and analyzing data on the stages of the hiring process, and set a standard for time from closing of announcement until offer is made. OPM's Human Capital experts are working with agencies to meet this standard. OPM also asked agencies to recommit to the Pledge to Applicants and added this requirement to the scorecards.

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### HUMAN CAPITAL SUCCESS STORY: SOCIAL SECURITY ADMINISTRATION

The Social Security Administration (SSA) implemented a five-tier performance management system for SES and GS-15 employees in 2002 and 2003. Reported results of the first SES rating cycle indicate that the agency is making distinctions in levels of performance, with 10 percent rated as fully successful, 47 percent rated as excellent, and 41 percent rated as outstanding. Fifty-four eligible employees (47 percent) received an award.

SSA rewards its top performers with Recognition of Contribution awards. In FY 2003, only 37 percent of the workforce received such an award in any amount, demonstrating that only the top performers in the agency received the highest level of award.

*"America's veterans are some of the best trained, most disciplined, and highly motivated individuals America has to offer… we must actively recruit them into the civil service."*

*—Kay Coles James, OPM Director*

To strengthen agency capacity, OPM developed a Hiring Flexibilities Resource Center for web deployment and conducted two Hiring Flexibility Symposia in Washington and nine in field locations, reaching 800 HR managers from across government.

Taking the extra step beyond guidance and tools, OPM Human Capital Officers rolled up their sleeves to do hands on work with agencies to improve hiring practices through what we call "hiring makeovers". A "hiring makeover" is a collaborative effort between OPM and an agency to analyze their hiring process. The "makeover" uses interviews, focus groups and process mapping to identify opportunities to streamline and modernize to make hiring more timely and effective. The intent is to make the agency process as competitive for top talent as possible. OPM's "hiring makeover" partnership with The Department of Housing and Urban Development (HUD) is a good example of the kind of results this process achieves. The HUD "hiring makeover" identified a myriad of barriers including: lack of effective communication, coordination, and planning; lack of clarity of roles of managers and HR staff in the hiring process; lack of use of effective automation processes; redundant approval processes due to centralized procedures and lack of delegation of authority; lack of planning for continuous improvement by HUD's Office of Human Resources; limited knowledge of effective assessment strategies, and limited use of hiring flexibilities, caused by lack of information and training, lack of delegation and lack of funding.

Because of the "hiring makeover" HUD has already implemented the following improvements: eliminating redundant approval processes and two layers of approval in the hiring process; establishing a Hiring Pipeline Report to track all recruitment and hiring actions against the 45-day hiring model; focusing senior management attention on hiring results through weekly meetings with General Deputy Assistant Secretaries and equivalent officials to discuss the status of each organization's hiring actions. Other improvements are being designed now and will be deployed in FY 2005.

To assure a strong and diverse pipeline into agency hiring processes, OPM made strong connections with the general public with a special emphasis on veterans and Hispanic candidates. OPM conducted 11 recruitment fairs nationwide, attended by over 55,000 people most of whom had bachelor's degrees or better and a strong interest in working for the Federal government. OPM kicked off the series of fairs with a full briefing for agency Chief Human Capital Officers who gave their full support and participated in some of the events. Many of the fairs were in cities with large populations of Hispanics and other underrepresented groups. The core design of the fairs as vehicles for exchanging applicant and agency information about job opportunities was supplemented by several

important enhancements. At each fair agency recruiters were trained on the hiring flexibilities at their disposal and how to use them. Applicants had the opportunity to attend seminars on the benefits of Federal employment, how to apply for a Federal job, resume writing and interviewing skills. They also had access to computer terminals to access the USAJOBS website, with OPM staff on hand to assist them. There were also special booths set up to assist veterans in exercising all their rights and benefits in Federal employment.

OPM also rolled out a broad range of initiatives focused directly on veteran employment. Specifically, OPM:

• Developed and conducted a Veterans Employment Symposium with attendance by all major agencies;

• Organized Veterans outreach events to 18 separation centers and hospitals, including a special program at Walter Reed Hospital with Chief Human Capital Officers;

• Developed the Veteran Invitational Program [VIP] which included the dissemination (over 100,000 copies) of the video: What Veterans Need to Know about Veterans Preference; disseminated VIP brochures to all DOD separations centers; and,

• Supported six job fairs of Veterans Service Organizations

*"It is with great pleasure that we thank OPM Director Kay Coles James and the team at OPM for their responsiveness to our call for assistance. OPM has been tremendous help, and I look forward to our continued partnership — working with us to further reform long-standing problems."*

*—Alphonso Jackson, Secretary of HUD*

## Performance Indicators

### TABLE 32 — PERFORMANCE INDICATORS FOR HCLMSA (TALENT, LEADERSHIP AND KNOWLEDGE MANAGEMENT, AND PERFORMANCE CULTURE)

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Turnaround time on agency requests, inquiries, and deliverables | n/a | n/a | n/a | n/a | Establish baseline | Baseline: 31 days |
| Employee perspectives on leadership effectiveness | n/a | n/a | n/a | n/a | Improvement in significant number of agencies | Pending release of 2004 FHCS results |
| Agency satisfaction with Leadership & Knowledge Management technical assistance | n/a | n/a | n/a | n/a | Establish baseline | Pending OPM Customer Focus Groups |
| Number of PMC agencies with leadership succession plans | n/a | n/a | n/a | 5 | 12 | 24 |
| Performance Culture score | n/a | n/a | 55% | – | Improvement in significant number of agencies | Pending release of 2004 FHCS results |
| Number of agencies with certified SES performance management systems | n/a | n/a | n/a | n/a | Establish baseline | Establishing Regs |
| Agency satisfaction with Performance Culture technical assistance | n/a | n/a | n/a | n/a | Establish baseline | Pending OPM Customer Focus Groups |
| Number of agencies with linked performance plans for all leadership and 60% of workforce | n/a | n/a | n/a | 4 | 12 | 14 |
| Employee satisfaction score for Talent | n/a | n/a | 67% | – | Improvement in significant number of agencies | Pending release of 2004 FHCS results |
| Agency satisfaction with Talent technical assistance | n/a | n/a | n/a | n/a | Establish baseline | Pending OPM Customer Focus Groups |
| Number of PMC agencies with significantly reduced skill gaps in mission-critical occupations | n/a | n/a | n/a | 2 | 12 | 10 |

n/a not applicable; new indicators, data does not exist for these fiscal years.
– not available

## FY 2004 HUMAN CAPITAL LEADERSHIP AND MERIT SYSTEM ACCOUNTABILITY ANNUAL PERFORMANCE GOAL 2:
### Improve the overall effectiveness of merit-based Governmentwide human capital management by evaluating agencies' human capital programs and assessing their accountability systems.

**Status:** This goal was partially met.

### ANALYSIS OF FY 2004 PERFORMANCE

**Compliance.** OPM is tasked with monitoring and assessing agencies' effectiveness in implementing merit-based strategies that support their mission. Historically, this has involved:

• Auditing departmental and agency human capital programs to ensure their compliance with Merit System Principles, veterans' preference, and other public employment policies, and to ensure that prohibited personnel practices are avoided;

• Reviewing Delegated Examining Units;

• Responding to allegations of Merit System improprieties or areas of vulnerability; and

• Writing decisions on Classification Act appeals, Fair Labor Standards Act appeals, and pay claims.

Under OPM's *Strategic Plan 2002–2007*, the program has been broadened to also include:

• Overseeing the impact of agency human capital strategies and human resource programs;

• Conducting targeted audits of human resource functions, including outsourcing human resource processes;

• Reviewing workforce security practices and site plans, including background investigations; and

• Ensuring that agencies have accountability systems for human capital results.

OPM has organized its Compliance Program activities into two basic areas: emergency preparedness and accountability.

 **Emergency Preparedness.** In this time of heightened security, OPM has been working to increase the protection of the American public. It does so by conducting an annual survey of agencies' emergency preparedness plans, working with the local Federal Executive Boards (FEBs) to ensure continuity of operations in times of emergency, and conducting audits of personnel security procedures. As agencies are able to continue operating in times of emergency, they continue to provide services and protection to the American people.

 As a measure of the agency's effectiveness in protecting the public, OPM measures the percentage of agencies that have workforce safety plans and the percentage of agencies that meet relevant personnel security standards. If agencies have adequate safety plans, it increases the likelihood of continuing operations in times of emergency. Ensuring that all Government workers have had background checks appropriate to their position helps ensure that sensitive information is not divulged inappropriately and that Federal employees have a lower risk of being compromised. Eighty-four percent of agencies had workforce safety plans in FY 2004, short of OPM's 90 percent target.

 During FY 2004, OPM started a Workforce Safety and Security initiative whose goal is to strengthen Federal Executive Boards' capacity to assist with the protection of Federal employees and deployment of key Federal assets in their geographic areas. Many of the assets needed for such responses already exist; however, the organizational structure and information networks needed to support crucial emergency preparedness activities are incomplete. Phase I of the Project included a one-day training program in Boston and New York City jointly sponsored by OPM and the Federal Emergency Management Agency in conjunction with the 2004 national conventions that had been designated as National Special Security Events; a survey of FEB member agencies in Boston and New York City; and the designation of OPM employees in both cities to assist the Executive Directors of the FEBs to identify issues that needed to be covered in agency emergency plans. The survey results were used to modify agency continuity of operations plans, particularly as they dealt with alternative workplace and telework policies.

Phase II, now under way, involves personal visits by OPM executives to major FEBs throughout the country to direct the safety and security initiative, and administer the survey to Federal agencies' field installations, and roll-out the emergency preparedness training program across the nation.

To improve performance and fully meet targets in FY 2005, OPM plans to restructure its auditing activities with regard to personnel background checks with the goal of obtaining a more comprehensive view of this activity in the Federal Government and focusing its auditing activities on those departmental and agency human capital programs deemed high risk. The continued implementation of the Workforce Safety and Security initiative, together with a broader look at personnel security activities, will result in significant progress in improving citizen protection.

**Accountability.** To ensure that agencies are accountable for executing their human capital management transformation (including outsourcing) plans while adhering to Merit System Principles, OPM conducts reviews, audits, and appeals. As a measure of its effectiveness in ensuring accountability, OPM measures the percentage of the President's Management Council (PMC) agencies under audit and the percentage of agencies that take appropriate action on significant audit recommendations. If agencies are audited with the appropriate frequency (every three years has been set as the standard versus every four in FY 2003) and the recommendations resulting from the audit are implemented, the American public can be assured that the largest Federal agencies are adhering to Merit System Principles and are following through on their commitment to transform human capital management.

OPM had a successful year in its Compliance program activities, successfully meeting an accelerated audit schedule and completing audit work in eight PMC agencies, and is targeting 100 percent of those agencies to take appropriate action on significant audit recommendations. In addition, OPM completed 125 Delegated Examining Unit audit reports and 39 classification appeals.

During FY 2004, OPM started restructuring its audit program by beginning work on new audit guidelines and standards (patterned after the Government Auditing Standards and the traditional performance audit) encompassing all audit areas to better assess the impact of human capital and human resource programs. In addition, the agency is creating a new auditing handbook and designing a new curriculum to train existing and new personnel.

By restructuring the audit program, OPM will not only be able to report on agencies' compliance with laws, rules, regulations, and executive orders and delegations of authority, but also to close the accountability loop with regard to agencies' human capital efforts. It is important that once an agency receives a green status in Strategic Management of Human Capital on the PMA Scorecard, the results are monitored to ensure that agency plans are effectively implemented and executed. This monitoring will also provide vital information for further analysis of factors in varying human capital results among agencies.

## Performance Indicators

### TABLE 33 — PERFORMANCE INDICATORS FOR HCLMSA (COMPLIANCE)

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Percent of PMC agencies under audit | n/a | n/a | 0* | 0* | 30 | 31 |
| Percent of agencies that take appropriate action on significant audit recommendations | n/a | n/a | n/a | n/a | Establish baseline | Pending issuance of reports |
| Percent of agencies that meet relevant personnel security standards | n/a | n/a | n/a | 46 | 75 | Pending program scope |
| Percent of agencies that have workforce safety plans | n/a | n/a | n/a | n/a | 90 | 84 |

n/a not applicable; new indicators, data does not exist for these fiscal years
*In FY 2002 and FY 2003 audits focused on small agencies.

# HUMAN RESOURCES PRODUCTS AND SERVICES

## FY 2004 HUMAN RESOURCES PRODUCTS AND SERVICES ANNUAL PERFORMANCE GOAL 1:
### Support an improved hiring process by performing suitability casework and other investigative services effectively.

**Status:** This goal was partially met.

### ANALYSIS OF FY 2004 PERFORMANCE

OPM met three of five performance indicators for this goal and continued to process suitability cases to help ensure that only qualified applicants and employees remain in Federal service. The consistent quality of our adjudication decisions was demonstrated again this year as only one of our 986 suitability decisions was reversed by the Merit Systems Protection Board.

As a leader in the Federal investigative community, OPM is in continuous dialogue and interaction with Federal agencies through membership in multi-agency working groups, committees, and panels; training; technical and customer service; provision of guidance material; issuance of Federal Investigations Notices; and maintenance of an investigative website. In FY 2004, OPM continued to provide personnel resources to the Foreign Terrorist Tracking Task Force and the Transportation Security Administration, Office of National Risk Assessment. These resources serve the dual purpose of translating OPM's investigative data in support of the task force mission, while identifying information that may be available and valuable to the background investigations process. In addition, the agency continues to provide professional and administrative staff to the Department of Homeland Security in support of its national emergency response program.

OPM continued as an active member of the Personnel Security Working Group of the National Security Council, the Federal Working Group of the Criminal Justice Information System Advisory Policy Board and National Privacy Act Compact Council, and the National Consortium for Justice Information and Statistics.

Customer satisfaction with the content and quality of our products and services remains high. However, the timeliness of investigative products deteriorated due to an enormous and unprecedented workload following the events of 9/11, and the assistance OPM provided the Defense Security Service (DSS) with its voluminous investigations backlog.

During FY 2004 the Center for Federal Investigative Services received over 167,000 background investigation cases in addition to the number already on hand at the start of the year. Case timeliness fell during FY 2004 due to a disproportionate number of older cases closing through the Personnel Investigations Processing System (PIPS). The PIPS system

## RISING VOLUME OF BACKGROUND INVESTIGATION (BI) CASES
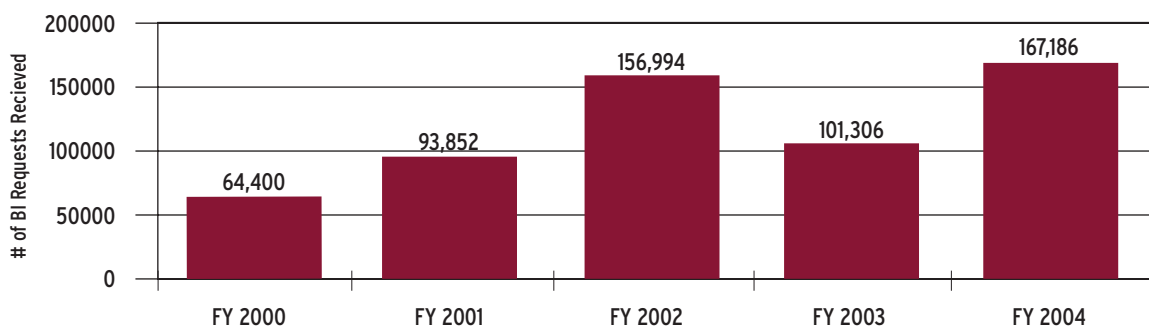
tracks case progress throughout the life of the case but only reports case timeliness data when the case is closed for delivery to the requesting agency. Thus as OPM closes older cases that were of lower priority, the average time to complete cases becomes longer. The case timeliness figure will improve as OPM continues to work off a backlog of cases on hand from prior periods.

OPM has taken an aggressive approach to improving investigation case timeliness. This approach includes establishing contracts with five additional private sector companies so that there are more contractors to handle the workload, and maintaining continuous liaison with National Agency Checks repositories and state and local law enforcement entities to expedite receipt of record information. Additionally, OPM has been working closely with our existing prime contractor, US Investigations Services, Inc., to reduce the number of cases past contract delivery date and to help ensure that it can continue to increase productivity.

To prepare for a possible transfer of the DSS personnel security program, OPM entered into an agreement in February 2004 which allows DSS investigative staff to use PIPS to schedule, track, and close investigations. This reimbursable cross-servicing agreement provides DSS staff with training in the use of OPM's investigations systems in the event that a transfer of function is made in the future. During FY 2004, all DSS investigative personnel were trained, and OPM's contractor supported the effort through data entry, case scheduling, and closing of cases covered under the agreement.

OPM developed an Adjudications Oversight Team, initially focused on diploma mill case adjudication by agencies, and later broadened the team's coverage to other serious issue investigations. These issues include other types of merit system violations and falsification cases. The agency conducted training seminars for more than 400 agency human resource managers and personnel security staff on detecting bogus or inflated academic credentials.

## Performance Indicators

### TABLE 34 — PERFORMANCE INDICATORS FOR INVESTIGATIVE SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Percent of applicant suitability determinations completed within contract time frames | – | – | 99 | 99 | 99 | 92 |
| Percent of suitability determinations sustained on appeal | >99 | >99 | >99 | >99 | >99 | 99.9 |
| Percent of background investigations closed within contract delivery date | – | 95 | 45 | 25 | 40 | 17 |
| Percent of cases returned for correction | – | 0.043 | 0.045 | 0.18 | <1 | 0.06 |
| Full cost recovery for CFIS products and services | Yes | Yes | Yes | Yes | Yes | Yes |
| Percent of customers satisfied with CFIS products and services | 95 | 94 | 91 | 96 | 95 | * |

– not available
* Data will be available in winter 2005

## FY 2004 HUMAN RESOURCES PRODUCTS AND SERVICES ANNUAL PERFORMANCE GOAL 2:
### Accelerate the Federal hiring process and enhance the talent and capacity of the Federal workforce by improving the effectiveness of OPM's recruitment, assessment, staffing, training, and management assistance services, while recovering the full cost of delivering these services.

**Status:** This goal was met.

### ANALYSIS OF FY 2004 PERFORMANCE

OPM met or exceeded all of the performance indicators for this goal. Agencies with which OPM conducts business are highly satisfied, intend to repurchase services, and feel that our services have a positive impact on their organization.

OPM helped agencies such as DOD, USPS, and the General Services Administration (GSA) make themselves attractive to potential job seekers through effective employer branding campaigns. These campaigns differentiate Government employment from the private sector and showcase why the Federal Government is an employer of first — not last — choice. These campaigns marketed the full range of benefits of working for the Federal Government, from serving the public to receiving a fair monetary and benefits package that includes rapid advancement, recognition, and an unparalleled health benefits system.

OPM assisted agencies in workforce planning and reshaping efforts to ensure that agency talent and capacity meet current and future needs. For example:

- OPM helped other agencies such as DHS, the Department of Commerce, Air Force, Navy, and the Small Business Administration identify core competencies for mission-critical and managerial positions, analyze competency gaps, devise career-broadening and development strategies, and develop succession and human capital management plans.

- OPM assisted in planning and conducting reductions-in-force for the National Park Service, GSA, the Forest Service, the Departments of Commerce and Energy, and the Coast Guard.

In support of an improved hiring process and to enhance the talent and capacity of the Federal workforce, OPM is completing the development of the new USA Staffing Web-based system. USA Staffing will provide hiring flexibilities such as category rating, multi-component assessments, and standing registers. It also will provide hiring managers with electronic access to applications and supporting documents of qualified candidates.

### REDUCTION IN AVERAGE PROCESSING TIME FOR RECRUITMENT AND EXAMINING SERVICES
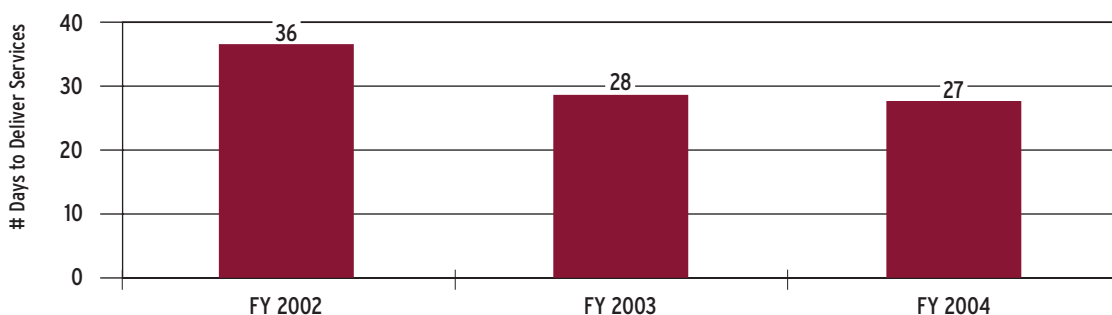
OPM helped agencies in accelerating the Federal hiring process and in using hiring flexibilities. For example, we:

- Provided fast and efficient direct recruiting and examining services. OPM's average processing time is 26.8 days, which includes a one to two week open announcement period.

- Helped agencies such as the Defense Contract Management Agency, Defense Finance and Accounting Service, GSA, and Farm Credit Administration implement model Federal Career Intern Programs, streamlining candidate assessment and reducing time-to-hire.

- Helped DHS use the full spectrum of its hiring flexibilities and devise an aggressive recruitment strategy.

OPM assisted Federal agencies in improving individual, team, and organizational performance through its cadre of commercial partners and project management staff in its Training and Management Assistance (TMA) program. For example, OPM arranged and managed a project for DHS to help it achieve both individual and team performance objectives, as well as to position itself strategically to deal with future terrorism threats and measure its performance in that regard.

## Performance Indicators

### TABLE 35 — PERFORMANCE INDICATORS FOR TALENT SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Full cost recovery maintained over a three-year period for reimbursable services | Yes | Yes | Yes | Yes | Yes | Yes |
| Agency acceptance rate (%) of TMA project deliverables | – | 99.0 | 99.5 | 99.9 | >95 | >95 |
| % of customers who express repurchase intention | – | – | – | 95 | >90 | 95 |
| % of customers agreeing that reimbursable services contribute to improving organizational effectiveness | – | – | – | 82 | 83 | 83 |
| % of customers satisfied with products and services | – | – | – | 96 | >90 | 94 |

– not available

### HRPS SUCCESS STORY: LEADERSHIP ACADEMY

The Western Management Development Center continued its work with the Pacific Leadership Development Academy, established in partnership with a consortium of Federal and state organizations in FY 2002. The academy develops leadership capacity in Federal agencies throughout the Pacific Rim. Academy programs reached 195 participants this year. In its winter 2003–04 issue, The Public Manager stated, "the success of the Academy should ensure a continuous pool of strong future leaders are developed and ready to serve Pacific-based agencies."

## FY 2004 Human Resources Products and Services Annual Performance Goal 3:

**The leadership capacity of Federal managers and executives is improved and sustained by expanding the customer base of OPM's Federal Executive Institute and Management Development Centers and improving agency satisfaction with these programs.**

**Status:** This goal was met.

### Analysis of FY 2004 Performance

OPM met 7 of the 8 performance indicators for this goal. In FY 2004, OPM implemented a new business-line organizational structure to strengthen the quality of management development offerings and improve overall operational efficiencies. The agency also significantly increased the numbers of participants, sessions, and participant training days and improved program ratings over FY 2003 levels.

**Interagency Residential Development.** In the interagency residential development business line, the flagship program is the Leadership for a Democratic Society (LDS) program offered at the Federal Executive Institute (FEI). Post-course surveys of LDS participants have demonstrated the significant impact the program has made in developing the leadership skills of its graduates. In follow up surveys administered 3 months after graduation, seventy-seven percent of respondents reported a moderate or better improvement in their leadership performance. Well over 70 percent reported improved communications, teamwork, and decision-making as a result of their attendance in the program.

The Management Development Centers (MDCs) support the President's Management Agenda in four of the five cross-cutting Governmentwide initiatives. In FY 2004, the MDCs delivered seven programs to 196 participants from 14 different agencies. Out of a possible score of 5.00, overall course evaluation scores averaged 4.36 this year compared to 4.12 in FY 2003. End-of-course evaluations scores reflecting knowledge gained averaged 4.07 this year compared to 3.96 the previous year.

The MDCs have completed work on a new, integrated project management curriculum to improve the quality of project management in the Federal Government in answer to concerns raised by officials from OPM, OMB, the Human Resources Management Council, and others. This year, the MDCs were certified as Registered Education Providers by the Project Management Institute, indicating their project management courses can be used as professional development units by participants to qualify to take the examination for Project Management Professional status. A survey of participants' managers showed participants in MDC Project Management Programs were more effective at managing projects as a result of better communication and interpersonal approaches, improved work processes, and better decisions. Participants reported cost savings up to $100,000 and time savings of 50 percent on a project.

### Improving Feedback on President's Management Agenda Training



Legend: Overall Evaluation, Knowledge Gained
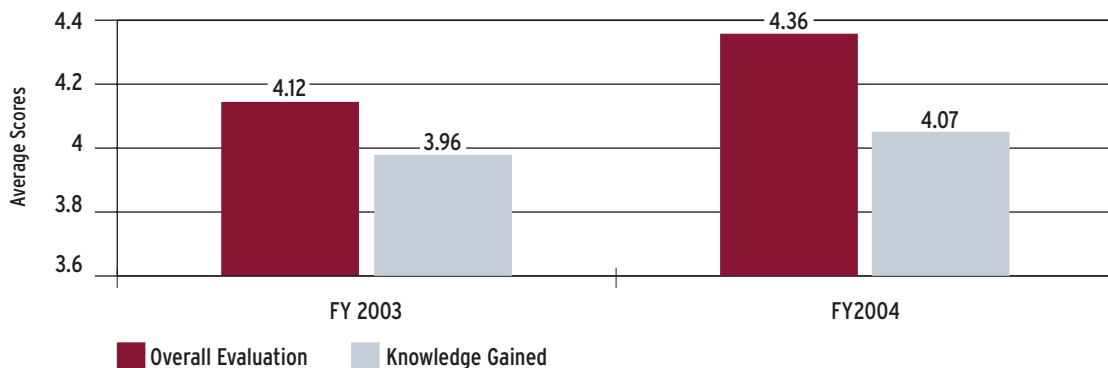
*"I support the goals of the Candidate Development Program to identify and develop individuals with great potential for the senior leadership cadre which reflects the rich diversity of America."*

*—Rep. Danny K. Davis*

**Custom Programs.** OPM's custom programs business line includes FEI's Graduate School, the Center for Executive Leadership (CEL), and programs offered by both MDCs. This year, the CEL implemented a multi-year agreement with the U.S. Agency for International Development to establish a leadership development program.

MDC partnerships with agencies critical to homeland security and national defense involved delivery of custom workshops focused on executive development and supervisory leadership skills. The Eastern Management Development Center conducted six workshops for 240 students assigned to the National Security Agency. Overall evaluation scores for these programs were between 4.70 and 4.80 out of a possible 5.0. This partnership is planned to continue through FY 2007, with the possibility of conducting up to 30 sessions annually.

Demand for these new custom programs was quite high — more than 60 percent above projections — and training sessions for the residential programs were filled to capacity on a regular basis. This increased customer demand produced the best results for the management development program in more than a decade.

**Succession Planning.** OPM supports the development of future Federal senior executives in its succession planning business line. In November 2003, the President signed Executive Order 13318 modernizing the Presidential Management Intern Program and creating the new Presidential Management Fellows Program. The order removed the annual hiring cap of 400 and expanded the grade at which fellows could be hired, from GS-9 to GS-9 through GS-12. The class of 2004 included 2,755 nominees with 1,300 attending assessment centers and 700 selected as finalists. Nearly 600 fellows attended the annual PMF job fair in April 2004, which attracted more than 70 Federal agencies and more than 200 interviewers.

As part of its succession planning business line, the agency designed and developed the SES Federal Candidate Development Program (Fed CDP). OPM has partnered with 10 Federal agencies which plan to select at least 21 Fed CDP participants. The Fed CDP is in its final review stage. OPM also provides other services focused toward current and prospective members of the Senior Executive Service. The agency conducted three briefings for 550 new SES and Schedule C appointees. These briefings were coordinated with the White House Office of Presidential Personnel, and presented an overview of Executive Branch priorities and provided participants with an opportunity to interact with a broad range of senior policymakers.

## Performance Indicators

### TABLE 36 — PERFORMANCE INDICATORS FOR LEADERSHIP CAPACITY SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Level 1 evaluation ratings for all MDC and FEI programs (scale of 1-5) | 4.6 | 4.5 | 4.5 | 4.5 | 4.5 | 4.6 |
| Level 1 evaluation ratings for PMF* development (scale of 1-5) | – | – | – | 3.9 | 4.2 | 4.0 |
| Level 2 evaluation ratings for MDC and CEL programs (scale of 1-5) | – | 4.2 | 4.2 | 4.0 | 4.0 | 4.3 |
| Level 2 evaluation ratings for FEI and LDS programs (scale of 1-5) | – | 3.9 | 4.0 | 4.0 | 4.0 | 4.2 |
| Number of training sessions | 328 | 422 | 461 | 356 | 328** | 396 |
| Number of participants | 10,164 | 11,234 | 13,125 | 10,984 | 9,950** | 12,071 |
| Number of participant training days | 87,890 | 95,377 | 96,635 | 84,049 | 83,186** | 92,599 |
| Full cost recovery for MDCs and FEI | Yes | Yes | Yes | Yes | Yes | Yes |

– not available
*Formerly the Presidential Management Intern Program.
**Target decreased from FY 2004 Congressional Budget Justification to reflect changes in seminar design and offerings (for example, eliminated Saturday training days) and new methodology (no longer including one day consulting/coaching events which inflate participant and training session counts).

## FY 2004 HUMAN RESOURCES PRODUCTS AND SERVICES ANNUAL PERFORMANCE GOAL 4:
### RETIREMENT INCOME SECURITY IS FACILITATED BY REDUCING CLAIMS PROCESSING TIMES WHILE INCREASING SELF-SERVICING AND IMPLEMENTING NEW TECHNOLOGY THROUGH THE RETIREMENT SYSTEMS MODERNIZATION.

**Status:** This goal was partially met.

### ANALYSIS OF FY 2004 PERFORMANCE

OPM met 7 of 15 performance indicators for this goal.

OPM met its target for the percentage of post-retirement changes handled by self-servicing processes. This was driven by a 75 percent increase in the use of the Health Benefits Open Season Express, the Web-based system that permits annuitants to make their own open season changes to their health benefits coverage. Finally, OPM exceeded its target for Retirement Program telephone calls, handling 1,648,834 calls. OPM also increased the call handling rate even as call volume increased 13 percent.
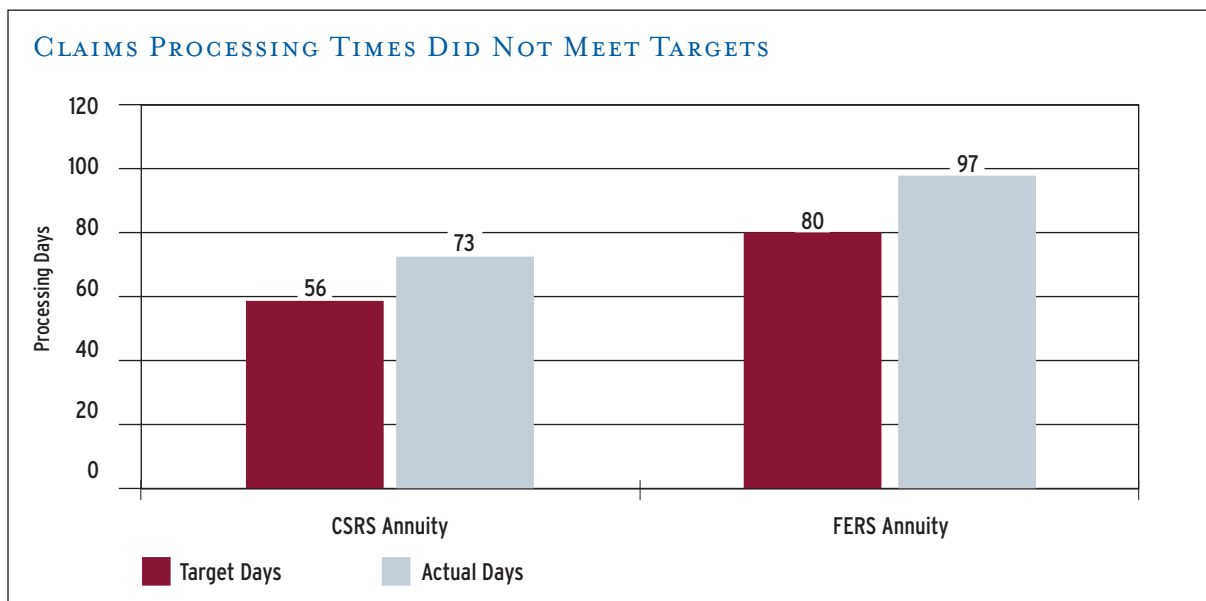
**Claims Handling.** OPM exceeded the target for processing times for CSRS survivor claims by one day, the third straight year of improvement in this indicator. Attempts to improve the processing times for other annuity claims in FY 2004 did not yield expected results. The average processing time for CSRS and FERS annuity claims were each over target by about 17 days. Efforts to reduce the times were impeded by a decline in claims processing staff and delays in hiring the additional 25 benefit specialists included in OPM's FY 2004 appropriation. To position the agency to improve processing times during FY 2005, OPM has begun initiatives to reduce the number of cases pending for more than 90 days, and a group of newly hired benefit specialists have been trained and are in place.

**Retirement Systems Modernization.** OPM will improve the services provided to plan participants and achieve administrative efficiencies through modern technology. Modeled on private sector best practices, a modernized retirement

system will provide personal account information and "smart" tools that will enable OPM program administrators, Federal agency benefits counselors, and plan members to enjoy quality life-cycle retirement planning and execution. It also will make the transition from employment to retirement seamless, reducing — and, in most cases, eliminating — the delay retirees experience in receiving their first full annuity payment.

To achieve modernization, OPM must replace its existing technology and move from a paper to an electronic record-keeping system, and transition OPM program administrators, Federal agency benefits counselors, and plan members to the modern Retirement Program tools, self-service options, and account information.

OPM has virtually completed the overall design for RSM and in FY 2004 developed plans for the acquisition of the new technology and the capture and conversion of retirement accounts and records in an electronic format.

## CLAIMS PROCESSING TIMES DID NOT MEET TARGETS



CSRS Annuity — Target Days: 56, Actual Days: 73
FERS Annuity — Target Days: 80, Actual Days: 97

■ Target Days    ■ Actual Days

## Performance Indicators

### TABLE 37— PERFORMANCE INDICATORS FOR RETIREMENT SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Claims processing timeliness: interim annuity payment (days) | 4.8 | 2.8 | 1.9 | 4.4 | 4.0 | 5.4 |
| Claims processing timeliness: CSRS annuity (days) | 44 | 54 | 55 | 59 | 56 | 73 |
| Claims processing timeliness: FERS annuity (days) | 185 | 101 | 70 | 83 | 80 | 97 |
| Claims processing timeliness: CSRS survivor (days) | 20 | 24 | 31 | 30 | 29 | 28 |
| Claims processing unit cost ($) | 83.52 | 83.71 | 89.53 | 99.54 | 89.00 | 91.91 |
| Customer calls handled | 1,221,786 | 1,324,591 | 1,425,452 | 1,476,853 | 1,500,000 | 1,648,834 |
| Call handling rate (%) | 88 | 93 | 95 | 96 | 95 | 97 |
| Customer service unit cost ($) | 6.44 | 6.41 | 6.45 | 6.07 | 5.50 | 6.63 |
| Percent of services provided online | 34.3 | 34.4 | 36.8 | 33.4 | 40 | 53 |
| Claims processing accuracy: CSRS annuity (%) | 93.8 | 93.4 | 96.0 | 93.0* | 96.0 | 89.4** |
| Claims processing accuracy: FERS annuity (%) | 89.5 | 93.8 | 90.9 | 97.6* | 94.0% | 97.0** |
| Claims processing accuracy: CSRS survivor (%) | 96.8 | 93.9 | 97.2 | 96.9* | 96.0 | 95.9** |
| Improper payment rate (%) | 0.52* | 0.53* | 0.49* | 0.50* | 0.35 | 0.38* |
| Percent of annuitants satisfied with overall retirement services | 93 | 93 | 93 | 93 | 93 | 94 |
| Percent of new customers who received first payment before or when expected | 78 | 79 | 78 | 72 | 80 | 80 |

Note: Claims accuracy represents the percentage of cases adjudicated correctly, without substantive error
*Revised from previous reports. Claims accuracy rates revised to reflect complete data. Improper payment rates recalculated to comply with the Improper Payments Information Act.
**Data represents performance through 2nd quarter

## FY 2004 HUMAN RESOURCES PRODUCTS AND SERVICES ANNUAL PERFORMANCE GOAL 5:
### INSURANCE PROGRAMS CUSTOMERS ARE PROVIDED WITH QUALITY INSURANCE PRODUCTS AND SERVICES AND CONTINUE TO MAKE INFORMED DECISIONS ABOUT THEIR HEALTH CARE.

**Status:** This goal was met.

### ANALYSIS OF FY 2004 PERFORMANCE

For this goal, which deals with OPM's health, life, and long-term care insurance programs, OPM met 9 of 11 performance indicators. OPM completed preparations for the FY 2005 Federal Employees Health Benefits Program (FEHBP) open season. The program is offering 44 more health plan options than in FY 2004. Customers can make informed health insurance decisions by several means:

- OPM-sponsored health plan brochures and website postings;

- Health plan customer satisfaction survey results;

- Web-based comparison/decision tools; and

- The Health Plan Employer and Data Information Set, which enables customers to use health care performance data for Health Maintenance Organization plans to make a more informed decision about such plans.

OPM's efforts to increase the quality of health plan services proved highly successful as current enrollment statistics show that 98 percent of FEHBP customers are enrolled in plans rated as "accredited" regarding their methods and success in achieving the best possible results for plan members. This significant leap forward in this

### AVERAGE FEHB PREMIUM INCREASE
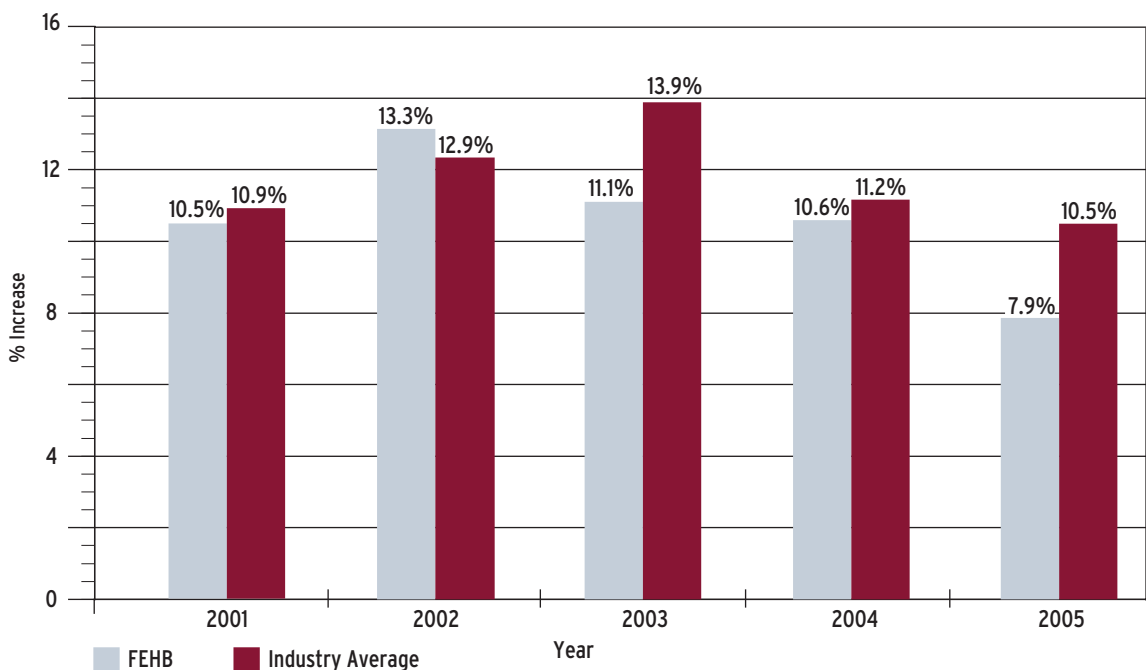


*Industry Average for 2001-2004 is data from Kaiser Family Foundation and the Health Research and Educational Trust KFF/HRET. 2005 Industry average data is an unweighted average of estimated increases from Hay Group and Milliman (2005 KFF/HRET industry average data not yet available).

indicator far exceeds the target set for FY 2004 and the FY 2003 results. The growth is due to the inclusion of fee-for-service (FFS) and Consumer Driven Health Plans (CDHP) in this data now that they are receiving accreditation for various components of their health plans.

**Restraining the Rise in Health Benefits Premiums.** As administrator of the FEHBP, OPM is responsible for negotiating contracts with insurance carriers covering the benefits provided and premium rates charged for approximately 8 million individuals. Several key factors affect the program's premiums, including 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.

During negotiations for the 2005 contracts, OPM reached agreement with health insurance carriers to provide 249 competing health plan options, at premium rates that are rising by an estimated average of 7.9 percent, the smallest average increase among major U.S. employers and the first time in 5 years that the premium increase was not in the double digits. In addition, health insurance carriers will offer a new product in the FEHBP next year, High Deductible Health Plans (HDHP) with Health Savings Accounts (HSA) or Health Reimbursement Arrangements (HRA). The combination of a health plan and savings vehicle provides an opportunity for FEHBP members to save and better manage their money.

**50th Anniversary of Federal Employees Group Life Insurance Program.** The Federal Employees Group Life Insurance Program (FEGLI) continues to be an important part of OPM's overall benefits package. The enrollment rate for basic insurance remained high at 87 percent of eligible employees. Close to $2.1 billion in insurance payments were made for nearly 77,000 claims in FY 2004 with an average processing time of 6.4 days — well within the industry standard of 10 days. OPM marked the 50th anniversary of FEGLI by including a rarely held open season and thus providing an opportunity for employees to review and adjust their life insurance coverage.

**Federal Long Term Care Insurance Program Continues to Grow.** The Federal Long Term Care Insurance Program (FLTCIP) has proven to be a popular benefit for Federal employees and other eligibles. In this program's third year of operation, the enrollment level of over 205,000 makes the FLTCIP the largest employer-sponsored long-term care insurance program in the world and it continues to grow. OPM met or exceeded FLTCIP performance indicator targets, with one exception. OPM did not meet the target level of 16,000 new enrollees for the year. While the program received the expected number of applications for enrollment, the number of people qualified for enrollment based on underwriting guidelines was less than expected.

## Performance Indicators

### TABLE 38 — PERFORMANCE INDICATORS FOR INSURANCE SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Percent of accredited FEHBP plans meets or exceeds prior year level | 62 | 69 | 71 | 69 | >69 | 74 |
| Percent of customers enrolled in FEHBP accredited plans meets or exceeds prior year level | 72 | 72 | 76 | 76 | >76 | 98 |
| Overall customer satisfaction scores for enrollees in FEHBP plans meet or exceed industry standard[†] (%) | FEHBP: 59 Industry: 57 | FEHBP: 62 Industry: 59 | FEHBP: 64 Industry: 62 | FEHBP: 65 Industry: 61 | FEHBP >industry standard | FEHBP: 70 Industry: 62 |
| FEHB improper payment rate (%) | 0.51** | 1.12** | 0.49** | 0.15** | 0.36 | 0.32** |
| Timeliness of FEGLI claims paid meets or beats 10-day industry standard (days)[††] | 10.2 | 5.7 | 6.0 | 5.2 | 10 | 6.4 |
| Accuracy of FEGLI claims paid (%) | 99.5 | 99.6 | 99.9 | 99.6 | 99.5 | 99.8* |
| FEGLI improper payment rate (%) | 0.27** | 0.11** | 0.19** | 0.23** | 0.01 | 0.22** |
| Number of FLTCIP new enrollments | n/a | n/a | n/a | 200,229 | 16,000 | 11,023 |
| Percent of FLTCIP service calls answered within 20 seconds | n/a | n/a | n/a | 86 | 85 | 88 |
| FLTCIP service call center handling rate (%) | n/a | n/a | n/a | 99.5 | 97 | 98.8 |
| Percent of FLTCIP customers who rate overall satisfaction with customer service (%) | n/a | n/a | n/a | 90 | 95 | 95 |

n/a not available (FLTCIP did not become effective until FY 2002).
*Data are through Q3.
** Results recalculated to comply with Improper Payments Information Act. See Part 3, pages 56 through 60.
† Industry standard from National Committee for Quality Assurance.
†† Industry standard from MetLife.

# MANAGEMENT STRATEGY

## FY 2004 EXECUTIVE SERVICES ANNUAL PERFORMANCE GOAL:
PROVIDE LEADERSHIP AND SUPPORT WITHIN THE AGENCY AND EXTERNALLY TO ADVANCE OPM'S MISSION OF BUILDING A HIGH-QUALITY AND DIVERSE FEDERAL WORKFORCE, BASED ON MERIT SYSTEM PRINCIPLES, WHICH AMERICA NEEDS TO GUARANTEE FREEDOM, PROMOTE PROSPERITY, AND ENSURE THE SECURITY OF THIS GREAT NATION.

**Status:** This goal was met.

### ANALYSIS OF FY 2004 PERFORMANCE
OPM met or partially met all of its performance goals.

### Performance Indicators

#### TABLE 39 — PERFORMANCE INDICATORS FOR EXECUTIVE SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Percent of annual performance goals met or partially met | 88 | 92 | 73 | 81 | 90 | 100 |

## FY 2004 MANAGEMENT AND CHIEF FINANCIAL OFFICER ANNUAL PERFORMANCE GOAL 1:
SUPPORT OPM'S OPERATIONS BY MANAGING THE FINANCIAL AND ADMINISTRATIVE RESOURCES OF THE AGENCY AND THE EARNED BENEFIT TRUST FUNDS AND BY PROVIDING TIMELY, ACCURATE, AND RELIABLE FINANCIAL AND PERFORMANCE INFORMATION FOR MANAGEMENT DECISION-MAKING.

**Status:** This goal was partially met.

### ANALYSIS OF FY 2004 PERFORMANCE
OPM met 3 of 6 performance indicators for this goal. Although OPM fully met this goal for its Trust Fund financial operations, considering the agency's funding and financial structure as a whole, this goal was only partially met. This is due primarily to persistent on-going issues in OPM's Revolving Fund Programs and Salaries and Expenses.

OPM manages three major Federal employee benefit programs: (1) retirement benefits (both for the Civil Service Retirement System and Federal Employees Retirement Systems); (2) health benefits; and (3) life insurance benefits. The agency met or exceeded every milestone date for critical processes and reports, both internal and external. The trust fund managers and personnel consistently and reliably processed and controlled financial transactions and related data affecting the three major trust fund programs.

During the year, the agency instituted a number of critical controls to enhance the effectiveness and efficiency of the Revolving Fund Programs and Salaries and Expenses financial operations. For example, OPM created a set of standard monthly financial reports to provide a timely picture of its status of operating funds, expenses, and revenues. The agency implemented more efficient workflows and internal controls, to help ensure these financial transactions were properly processed in accordance with applicable policies, regulations, and requirements. As a result, financial information presented to program offices was more reliable, and program managers were better able to monitor finances and make better decisions.

At a more systemic level, major improvements were achieved in the overall direction and management of OPM's financial units through Director James' direct intervention and actions. These included assembling a corps of high-quality financial managers and professionals. She established and personally conducted meetings of the OPM FAC, permanently chaired by the Chief of Staff and comprised of top agency executives. She recruited as a consultant a former lead manager from the Government Accountability Office, who had reviewed OPM programs to participate as a member of the FAC and to provide an independent analysis of the state of OPM's financial systems. She established a new Center for Internal Control and Risk Management, responsible for a high-level internal control review and quality assurance function, and recruited and selected a senior executive to lead it as an OPM Deputy Associate Director. The Center will be operational in early FY 2005.

OPM continued making timely payments to vendors during the fiscal year as its prompt payment performance — 99 percent — exceeded its target of 95 percent for the year. This was driven primarily by the large volume of payment to US Investigations Services, Inc., which represents more than 95 percent of the more than $1 million in payments OPM made during FY 2004 — all of which were made on time.

OPM continued to experience problems in collecting delinquent debts. Although the agency anticipated a reduction in the delinquency rate to 15 percent this year, no reduction occurred in the percentage of delinquent receivables. This is because OPM focused resources to address issues in the Revolving Fund Programs and Salaries and Expenses financial operations, which hindered collection efforts. Additionally, there were continuing auto-mated systems issues in extracting accurate data. A major collections effort is under way which should produce improved results in FY 2005.

It should be noted that during the preparation of this PAR, OPM reviewed and changed how it calculates the percent of account receivables delinquent. The figures formerly used for this indicator did not include account receivables for the Health Benefits Program. The revised figures shown in Table 40 correct this omission. These revised figures also make obsolete the 15 percent target for FY 2004. Although OPM would have set a higher, more realistic target based on the revised figures, such a target would have been lower than the 40 percent result for FY 2004. Thus, this indicator would not have been met.

## Performance Indicators

### TABLE 40 — PERFORMANCE INDICATORS FOR FINANCIAL SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Percent of accounts receivable delinquent* | – | 26* | 48* | 37* | 15 | 40* |
| Percent of payments meeting Prompt Payment Act requirement | 94 | 97 | 99 | 95 | 95 | 99 |
| Audit opinions | – | Unqualified | Unqualified | Unqualified | Unqualified | Unqualified |
| Material weaknesses | – | None | None | None | None | One |
| Status rating for Financial Performance on PMA Scorecard | – | Red | Yellow | Yellow | Green | Yellow |
| Status rating for BPI on PMA Scorecard | – | Red | Red | Red | Yellow | Yellow |

– not available
* Revised from previous reports

## FY 2004 Management and Chief Financial Officer Annual Performance Goal 2:
### Meet the Presidential initiative on Competitive Sourcing.

**Status:** This goal was met.

### Analysis of FY 2004 Performance

OPM met 5 of 6 performance indicators for this goal. The PMA requires that Federal agencies examine jobs that could be performed by non-Federal personnel and determine whether it is in the best interests of the American people to perform these functions with Federal employees or non-Federal workers.

OPM achieved a "green" status in the PMA Scorecard for Competitive Sourcing in FY 2004. The agency did not complete competitions on the 529 positions targeted for FY 2004 because it deferred to next year three activities totaling 365 positions for its retirement system customer service, information technology specialist, and administrative and clerical activities.

### Performance Indicators

### Table 41 — Performance Indicators for Competitive Sourcing and Contracting Services

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Rating for Competitive Sourcing on PMA Scorecard | – | Red | Red | Yellow | Green | Green |
| FTE performing commercial activities competed | – | – | – | 104 | 529 | 164 |
| Estimated costs avoided resulting from competitions ($) | – | – | – | 2.1 million | 4.0 million | 4.2 million |
| Savings on telecommunications ($) | 20,000 | 101,800 | 85,918 | 17,897 | 10,000 | 19.728 |
| Percent of contract actions competed | – | – | – | 97 | 97 | 97 |
| Percent of contracts that are performance-based | – | – | – | 76 | 76 | 76 |

– not available

## FY 2004 MANAGEMENT AND CHIEF FINANCIAL OFFICER GOAL 3:
### ADDRESS SKILLS GAPS IN MISSION-CRITICAL OCCUPATIONS.

**Status:** This goal was met.

### ANALYSIS OF FY 2004 PERFORMANCE

OPM internal human resources functions provide critical support to all of the agency's units and serve as a model for those in other agencies. The agency met all of its targets in FY 2004 and substantially exceeded the two statistical criteria.

Not only did these efforts allow OPM to achieve a "green" status rating in Human Capital on the President's Management Agenda, but more importantly supported the agency in improving the management of its human capital and leveraging its workforce to deliver results to the American people.

In FY 2003, it took 81 days from the time an office requested action on filling a vacancy until it received a certificate of eligibles from which to select a new employee. OPM set an aggressive target of improving that figure to 45 days in FY 2004, and substantially exceeded it by dropping the figure to 36 days by the end of the third quarter. This has made it possible to make offers in a timely fashion, before job seekers go elsewhere, and has permitted staff offices to plan their budgets more accurately. This greatly improved turnaround time and overall improved efficiencies contributed to a reduction in costs in providing human resource support, from $2,250 last year to $1,630 in FY 2004.

During the year, OPM developed succession strategies to help ensure the continued availability of a leadership talent pool, established a performance appraisal system that linked individual performance to success in achieving agency goals, and reduced skill gaps in mission-critical occupations and competencies.

### HIRING CYCLE TIME IMPROVES IN FY 2004



Days to produce a certificate of eligibles
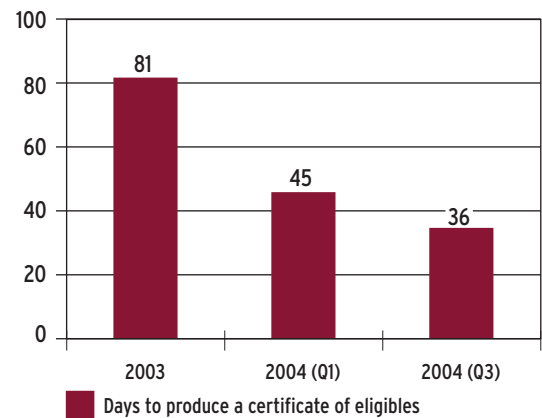
## Performance Indicators

### TABLE 42 — PERFORMANCE INDICATORS FOR HUMAN CAPITAL MANAGEMENT SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Rating for Human Capital on PMA Scorecard | – | Yellow | Yellow | Yellow | Green | Green |
| Hiring cycle time from receipt of manager's request to hire (workdays) | – | – | – | 81 | 45 | 36 |
| Average cost to provide human capital services per OPM employee ($) | – | – | – | 2,250 | 2,250 | 1,630* |

– not available
*Projected

## FY 2004 MANAGEMENT AND CHIEF FINANCIAL OFFICER ANNUAL PERFORMANCE GOAL 4:
### Support OPM's mission by providing information technology advice, guidance, and services that are secure, efficient, and effective.

**Status:** This goal was met.

### ANALYSIS OF FY 2004 PERFORMANCE

OPM achieved the expected target level on 4 of the 5 performance indicators established to assess this goal.

Virtually all OPM employees are connected to a local area network of desktop computers; many are also connected to a mainframe computer. These common user automated systems are essential for the conduct of daily business.

OPM is proactive in maintaining information technology security and is cognizant of the need to protect users and resources from both internal and external threats and attacks. During FY 2004, the agency blocked more than 4 million intrusion attempts from outside the network. In order to deal with the increasing sophistication of these attempts, the agency continuously installs upgrades and patches to the firewall, servers, and desktop computers. OPM has installed more than 8,000 patches since the beginning of the year.

OPM actively tries to minimize threats from internal sources and promotes user policy that provides guidelines for system usage. These include annual security awareness training to remind system users of their responsibilities. All employees and contractors with access to the local area network are required to complete this training and take a test on it. OPM also monitors usage and blocks access to inappropriate web sites.

In keeping with the emphasis on computer security, OPM has set high standards in three dimensions of computer security assurance:

1) 100 percent of staff and contractors must receive annual security awareness training;

2) Strict enforcement of a 90-day complex password replacement rule for all system users; and

3) Maintaining a 99 percent uptime status for the OPM mainframe processor.

The ability to continually meet these standards during agreed-upon business hours, year-after-year, is critical to providing a stable computing environment for the agency. During FY 2004, OPM again met all of these standards.

While falling short of the target of a 90 percent timely completion rate on systems development requests, OPM did exceed 80 percent overall. Timeliness fluctuated throughout the year, with the second quarter providing the least timely work. Part of this was the result of staff losses in key areas during this period.

The agency once again has no material weakness in the systems security area.

### Performance Indicators

### TABLE 43 — PERFORMANCE INDICATORS FOR INFORMATION SERVICES

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Percent of time mainframe available during agreed-upon service hours | – | – | – | 99 | 99 | 99.9 |
| Timely completion of requests for system support (%) | n/a | n/a | n/a | n/a | 90 | 86 |
| Material weaknesses in systems security | None | None | None | None | None | None |
| Personnel receiving computer security awareness training (%) | 100 | 100 | 100 | 100 | 100 | 100 |
| Complex password duration (days) | 90 | 90 | 90 | 90 | 90 | 90 |

n/a not applicable; new indicators, data does not exist for these fiscal years
– not available

## FY 2004 Management and Chief Financial Officer Annual Performance Goal 5:

### Implement the President's Management Agenda on e-Government.

**Status:** This goal was met.

### Analysis of FY 2004 Performance

OPM met 13 of 16 indicators for this goal. OPM's electronic Government (e-Gov) projects continued their success in FY 2004 by enhancing their services and increasing the use of these vital human resources tools by Federal agencies.

**Recruitment One-Stop (ROS).** The Recruitment One-Stop Initiative and Federal Employment Information Program achieved and/or exceeded most program targets to increase the effectiveness and efficiency of Federal hiring by simplifying the process of locating and applying for jobs. The USAJOBS website has drawn unprecedented numbers of users and achieved new highs in customer satisfaction. During FY 2004, the number of visits to the USAJOBS website totaled more than 79.7 million, and more than 675,000 new resumes have been created. The daily average number of visitors to the USAJOBS/ROS site grew steadily during FY 2004. The number reported is lower than the current average because it includes data from all months of the year. The monthly average in September 2004 was 230,046, up from 191,641 in October 2003.

According to the American Customer Satisfaction Index (ACSI) e-Government website survey, 90 percent of USAJOBS visitors indicate that they are likely to return to the site, and 86 percent indicate that they are likely to recommend the site to others, showing that USAJOBS is responding to the needs of job seekers interested in Federal employment. OPM's average ACSI score of 76 is one of the top ten Government scores. In addition, OPM's score exceeds the e-Government aggregate of 71.2 and the cross-industry aggregate of 74.4. Customer satisfaction with the Federal employment application process is at 59 percent, an increase of 9 percentage points over last year.

USAJOBS has implemented numerous enhancements for job seekers and recruiters, including:

- New job announcement template and builder tools;
- Agency branding in job announcements and search pages;
- Expanded job search options and search layouts;
- Spell-check in the resume builder and job builder; and
- Preliminary resume builder and resume mining search enhancements.

The back-end technology has also been substantially upgraded to support integration of a seamless job posting, job application, and real-time feedback process between USAJOBS and multiple automated staffing and hiring systems operating in Federal agencies across the country.

**E-Payroll.** The e-Payroll initiative aligns with OPM's mission and goals through the delivery of efficient and effective payroll services to Executive Branch agencies and their employees. The consolidation of payroll servicing allows agencies to concentrate on their core mission functions rather than administrative services and provides their employees with standard levels of service for payroll administration. Consolidation of payroll servicing, elimination of redundant legacy payroll systems, and the realization of economies of scale reduce payroll costs to the Federal Government, translating to savings to the taxpayer.

Key accomplishments for e-Payroll fall into three categories: management of migration of non-continuing agencies to the e-Payroll providers, planning for partnership mergers, and feasibility assessment of a demonstration laboratory for technology replacement. Seven agencies and certain segments of the Departments of Homeland Security and Transportation have migrated to their selected payroll providers during FY 2004. OPM has recommended a strategic merger plan based on suggestions prepared by the Payroll Partnerships and has conducted an implementation study for a demonstration laboratory.

**E-Training.** The e-Training Initiative had a threshold-breaking year which reduced potential Federal training costs by $57 million since program inception to the end of the 3rd quarter of FY 2004, created critical human capital effectiveness tools with accompanied increases in electronic courses and content, and increased interest in partnerships. Migrations to the GoLearn.gov environment continue as use of electronic learning solutions (electronic courses, virtual classrooms, libraries/reference material, content management, access to mentors, subject matter experts, and communities, workforce development roadmaps) have improved the way human capital professionals implement, deliver, and manage their agency's resources for training and developing their most critical asset — their people.

Throughout FY 2004, the e-Training Initiative has enhanced and implemented numerous agency-specific learning solutions and the Governmentwide portal, including:

• Updated free courseware on the Governmentwide site;

• Installed learning management systems in nearly 70 of 286 civilian Executive Branch agencies/entities, with 29 more planned for next fiscal year;

• Enabled access to over 3,300 fee-associated online courses;

• Developed Workforce Development Roadmaps (a competency-based career map) for the Federal Information technology profession, with continued expansion of occupational series under review for human resources, financial management, and acquisition; and

• Supported nearly 440,000 registered users who have completed over nearly 315,000 online courses.

**E-Clearance.** In FY 2004, OPM accomplished several critical outcomes through the e-Clearance program. First, by providing portal-based access to the CVS, e-Clearance now enables agencies to more quickly update and verify an employee's security clearance status. With this information, agencies are able to grant employees appropriate building and meeting access.

After launching the e-QIP — an automated information collection tool that obtains data from the clearance applicant — in FY 2003, OPM met and in some instances exceeded performance targets for the e-Clearance program in FY 2004. By driving utilization of e-QIP, the e-Clearance program has helped reduce the time for the average applicant to complete the clearance application by 30 minutes and has enabled Federal agencies to schedule background investigations by as many as three days sooner.

In FY 2004, e-Clearance also established a Governmentwide specification for the electronic capture of investigative file information. The specification ensures that imaged investigative records held by investigative agencies will be available electronically for all authorized Federal users through a secure portal solution. This solution, targeted for deployment in FY 2005, will enable e-Clearance to facilitate the exchange of previous investigative results and produce cost savings through the elimination of redundant processes.

**Enterprise Human Resources Integration (EHRI)**. EHRI continued to coordinate with agencies on defining system requirements and continued to collaborate with the other OPM e-Gov initiatives, e-Payroll and e-Training, to define data needs. EHRI also worked closely with the Retirement Systems Modernization project to meet the data needs for its data warehouse. From a marketing perspective, the EHRI project established an improved look for outreach purposes and placed this new "brand" on its enhanced portal. On the technical side, the Web-based human resources applications on the EHRI secure Internet portal were enhanced, more agencies began using the human resources analytics tools, and the EHRI project collaborated with the Department of Health and Human Services to test an electronic Official Personnel File software application.

EHRI also made progress in the following areas:

• Expanded the data warehouse to accept additional human resource data elements above and beyond CPDF;

• Developed the capability to accept a limited number of payroll data elements from agencies;

• Integrated analytical tools with the data warehouse;

- Put into place a more robust production infrastructure to handle additional users;

- Added complex standard reports to the data warehouse; and

- Deployed a central employee record capability that will reflect the new data elements when they are sent to the data warehouse.

## Performance Indicators

### TABLE 44 — PERFORMANCE INDICATORS FOR EXPANDING e-GOVERNMENT

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Number of agencies for which work-force planning tool is available | – | – | – | – | 18 | 24 |
| Percent of users judging the workforce planning tool to be useful | – | – | – | – | 50 | 60 |
| Improved e-HRIS Capital Asset Plan | n/a | n/a | n/a | n/a | Revised Capital Asset Plan | Submitted 02/06/04 |
| Project plan for technology replacement and merger strategy | n/a | n/a | n/a | n/a | Submit Merger Plan | Submitted 03/26/04 |
| Number of SF-86s submitted through e-Qip and received by PIPS | – | – | – | 199 | 5,000 | 5,132 |
| Percent of Federal agencies that have deployed e-Qip | – | – | – | 2 | 10 | 32 |
| Percent of files submitted through e-Qip that were rejected | – | – | – | 40 | 5 | 2 |
| Number of additional eligible users (registered users) of the GoLearn site | – | – | – | 108,383 | 142,000 users added | 261,154 users added |
| Annual number of GoLearn courses completed | – | – | – | 136,745 | 150,000 | 178,207 |
| The number of entities participating in GoLearn | – | – | – | 31 | 58 | 70 |
| Percent of Federal job applicants applying online using ROS | n/a | n/a | n/a | n/a | 82 | 8* |
| Availability of applicant status tracking data (%) | n/a | n/a | n/a | 0 | 82 | 8* |
| Customers satisfied with USAJOBS (index score)† | n/a | n/a | n/a | 71 | 72 | 76 |
| Percent of customers satisfied with application process | n/a | n/a | n/a | 50 | 52.5 | 59 |
| Average number of daily visitors to USAJOBS/ROS site | n/a | n/a | n/a | 188,226 | 226,750 | 217,937 |
| Number of applications/ resumes on file annually | n/a | n/a | n/a | 127,898 | 650,000 | 686,074 |

–not available
n/a not applicable; program did not exist
*USAJOBS is in the process of achieving integration with independent online application systems. These systems represent online application capability for a significantly higher percentage of job opportunities.
†Based on American Customer Satisfaction Index (100 points top score).

## FY 2004 MANAGEMENT AND CHIEF FINANCIAL OFFICER ANNUAL PERFORMANCE GOAL 6:
### OPM HEADQUARTERS' AND FIELD OFFICES' COMPLIANCE WITH GOVERNMENTWIDE POLICIES AND PROGRAMS IN THE AREAS OF SECURITY AND EMPLOYEE SAFETY IS ENSURED THROUGH ITS READINESS FOR EMERGENCY ACTIONS.

**Status:** This goal was met.

### ANALYSIS OF FY 2004 PERFORMANCE

OPM met 4 of 6 indicators for this goal. This has been a very dynamic year for OPM's security and emergency actions program. The Director made this area a top priority for the agency and, as a result, significant resources were dedicated to ensure that all OPM employees, and all Federal employees Nationwide, were provided with the strongest possible support.

The agency completed the following major initiatives in FY 2004:

- Increased staffing in both security and emergency actions in direct response to both increasing requirements and increasing threats.

- Employees were hired for OPM's Personnel Security Program (including personnel to address the significant backlog of background investigations that needed to be submitted), for the Information Security Program (including a dedicated document control officer), and to ensure the safety and security of OPM employees Nationwide.

- Thirty-four of 36 OPM field elements were inspected this year and provided with a written report on how to improve their security and emergency actions areas.

- OPM completed 2,200 position sensitivity designations, which covered all relevant positions. The target of 1,750 was substantially exceeded.

- Two factors account for the processing time for initiating background investigations (20 days) missing its target of 14 days. First, it took longer to get the new staff trained than was anticipated, delaying the initiation of some investigations. Additionally, as the first sets of employee investigations were initiated, staff took some initial time to adjust the initiation process itself, and the nature and extent of employee questions and concerns suggested the need for a more systematic communication and education effort to ensure timely responses and employee understanding and cooperation. The Director took steps to initiate that effort, and OPM is confident that it will hit the 14-day mark in FY 2005.

- Additional staff was dedicated to addressing OPM's Continuity of Operations Plan (COOP), Shelter-in-Place Program, Occupant Emergency Plan, and Continuity of Government. Significant resources were dedicated to

*"OPM has been intensely focused on the issue of emergency preparedness and on ensuring that the Federal workforce stands ready in the event of any emergency, be it man–made or natural. Managers have a fundamental responsibility to protect and educate their workforce."*

*—Kay Coles James, OPM Director*

improving and enhancing OPM's emergency preparedness capabilities and to outreach efforts across the country in training Federal employees in these important areas. FY 2004 provided multiple real-world tests for these capabilities; OPM met all of its goals during these emergencies, which included a busy hurricane season, multiple homeland security events, and multiple national security special events.

• The performance indicator estimating the time to publish new or updated business recovery plans was not met because the majority of resources for this were dedicated to enhancing the overall COOP, and integrating that plan with the other emergency response plans. It was decided to defer updating the business recovery plans until this work was accomplished. In FY 2004, the OPM Director established the OPM COOP Working Group made up of senior officials from all divisions and offices to take COOP efforts to the next level. In FY 2005, resources will be dedicated to updating all business recovery plans; the agency is confident of exceeding the 170-day mark.

In the wake of the events of September 11, OPM has expanded its responsibilities in the area of security and emergency preparedness to include ensuring the safety of its own employees and providing the human capital component for Governmentwide initiatives. This includes working with the Federal Emergency Management Agency and the local Federal Executive Boards in hosting six emergency preparedness forums in New York City, Boston, and Washington, D.C., to prepare Federal agencies for the events surrounding the national party conventions this past summer.

## Performance Indicators

### TABLE 45 — PERFORMANCE INDICATORS FOR SECURITY AND EMERGENCY ACTIONS

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Assign or update position sensitivity designations for positions within OPM | n/a | n/a | n/a | n/a | 1,750 | 2,220 |
| Processing time for initiating OPM employee background investigation (days) | n/a | n/a | n/a | n/a | 14 | 20 |
| Time to control classified material (days) | n/a | n/a | n/a | n/a | 3 | 1 |
| Percent of position sensitivity designations reviewed | n/a | n/a | n/a | 75 | 85 | 85 |
| Number of background investigations completed | n/a | n/a | n/a | 200 | 350 | 350 |
| Number of business recovery plans published or updated | n/a | n/a | n/a | 2 | 4 | 0* |

n/a not applicable; program or data did not exist prior to FY 2003
* Deferred to FY 2005

# OFFICE OF THE INSPECTOR GENERAL

## FY 2004 INSPECTOR GENERAL ANNUAL PERFORMANCE GOAL 1:
### PROVIDE INDEPENDENT OVERSIGHT OF AGENCY PROGRAMS, FUNCTIONS, AND ACTIVITIES.

**Status:** This goal was met.

### ANALYSIS OF FY 2004 PERFORMANCE

OPM met 4 of 6 indicators for this goal. While two of the individual indicators were not met, OPM's Office of the Inspector General (OIG) clearly provided a significant and valuable level of oversight for agency programs, operations, functions, and activities. Specifically, the OIG has been able to achieve a three-year FEHBP audit cycle, which is necessary to ensure adequate oversight. This is a 33 percent improvement over FY 2000 and has been a long-term goal for more than a decade. Achieving the three-year audit cycle also drove a similar improvement (34%) in the number of FEHBP carriers that have not been audited in five years.

The OIG has been able to maintain an extremely high FEHBP recovery rate. This measure is a direct indication that audit findings are relevant and have a positive impact on the financial position of the FEHBP.

Through experience, the OIG has discovered that setting increasing targets for each oversight activity is problematic because such a practice assumes that the office has control over the amount of waste, fraud, and abuse that is occurring in the programs audited. For example, a successful audit does not necessarily result in large financial recoveries. An audit or review without significant findings may in fact indicate that OPM is achieving its program outcome — to reduce the amount of fraud, waste, and abuse occurring in its programs.

In addition to the established performance indicators, the OIG has accomplished significant program improvements, including further implementation of an FEHBP data warehouse that allows for global program audits, and opening an audits field location which has greatly improved recruitment efforts.

### TABLE 46 — PERFORMANCE INDICATORS FOR IG AUDITS

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Return on investment ($) | 11.0 | 25.0 | 12.0 | 4.0 | 10.0 | 7.0 |
| FEHBP audit cycle (years) | 4.5 | 4.0 | 4.0 | 4.0 | 3.0 | 3.0 |
| Average FEHBP unaudited (years) | 5.4 | 5.2 | 5.1 | 5.1 | 4.8 | 3.5 |
| FEHBP audit recovery rate (%) | 72 | 85 | 58 | 92 | 70-75 | 87 |
| Positive financial impact (million $) | 105.2 | 242.1 | 116.0 | 40.2 | 143.0 | 93.8 |
| Number of carriers not audited within five-year period | 153 | 145 | 135 | 110 | 76 | 34 |

### FEHBP CARRIERS NOT AUDITED WITHIN FIVE YEARS
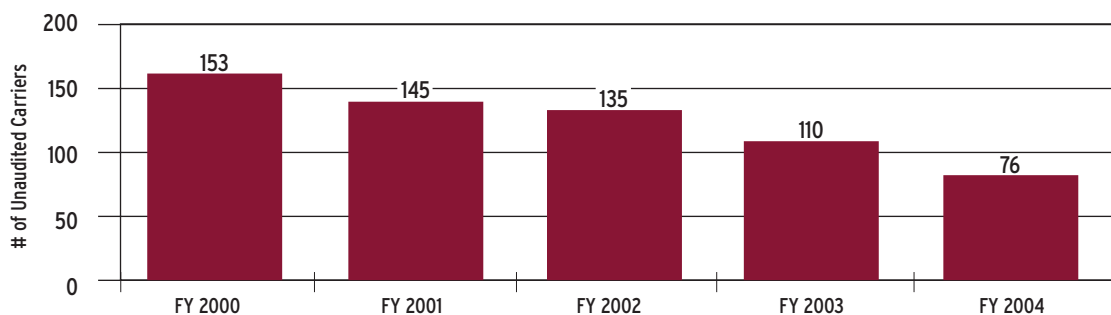
## FY 2004 INSPECTOR GENERAL ANNUAL PERFORMANCE GOAL 2:
### DETECT, INVESTIGATE, AND PREVENT FRAUD, WASTE, AND ABUSE AGAINST OPM PROGRAMS.

**Status:** This goal was partially met.

### ANALYSIS OF FY 2004 PERFORMANCE

While most of the individual indicators were not met, the OIG's performance improved over FY 2003, and the office clearly performed significant criminal investigative and administrative sanction activities to ensure that fraud, waste, and abuse against OPM programs were detected and prevented to the greatest extent possible. Specifically, the full year number of debarments and suspensions issued against FEHBP providers far exceeded target levels. Also, while investigative workload indicators did not meet original estimates, they had significant impact within agency programs. The two primary reasons the investigative indicators were not met were the delays in hiring additional special agents at the beginning of the fiscal year and the length of time it took to fully train new staff. Setting target levels for investigative and administrative sanction activities is problematic because much of this work is done in concert with other law enforcement agencies, and this often leads to complications and delays.

In addition to the established performance indicators, the OIG has accomplished significant program improvements including final implementation of the civil monetary penalty provisions of P.L. 105-266, the Federal Employees Health Protection Act of 1998; and the establishment of 12 new investigative field locations throughout the country.

The measure of the OIG's impact far exceeds quantitative results. Having strong investigative and administrative sanctions in operation is itself a substantial deterrent for fraud, waste, and abuse. This sentinel effect is critical in maximizing the impact of OIG operations. Thus, while quantitative indicators are an important mechanism in reporting the OIG's success, they are not the only factor in determining whether its workload goals are met.

### Performance Indicators

#### TABLE 47— PERFORMANCE INDICATORS FOR INVESTIGATIONS

| Indicator | FY 2000 Results | FY 2001 Results | FY 2002 Results | FY 2003 Results | FY 2004 Target | FY 2004 Results |
|---|---|---|---|---|---|---|
| Number of arrests | 14 | 27 | 16 | 10 | 35 | 7 |
| Number of indictments | 14 | 28 | 17 | 14 | 33 | 22 |
| Number of convictions | 14 | 22 | 24 | 13 | 33 | 25 |
| Number of debarments and suspensions | 2,706 | 4,032 | 3,380 | 3,405 | 3,300 | 3,797 |
| Number of debarment inquiries responded to | 1,725 | 2,119 | 3,827 | 2,741 | 3,100 | 3,731 |

### Completeness and Reliability of Performance Data

The performance information used by OPM in this Performance and Accountability Report for FY 2004 is reasonably complete and reliable, as defined by the Government Performance and Results Act. There are no material inadequacies in the performance information used in this report.

The kinds of performance information used by OPM to assess performance can be characterized in two ways:

- Quantitative, objective indicators based either on program outcomes or outputs; and

- Descriptive indicators based on performing core activities or achieving critical milestones that point toward a program outcome.

Most of OPM's performance indicators are quantitative and are aligned to specific program outcomes or outputs and for which specific annual targets are established. Descriptive indicators are used on a limited basis and generally are of an empirical nature. As a result, performance data are collected more easily and are more readily verifiable. In addition, a clear determination can be made regarding whether targets have been achieved and whether OPM programs are achieving intended outcomes and producing concrete benefits for the American people.

OPM developed its performance indicators by employing a program logic approach to define OPM's programs and establish clear relationships among program activities, outputs, outcomes, and quantitative performance indicators. OPM adopted this approach in FY 2003 as it developed the FY 2005 performance budget. The program logic approach replaced an outmoded paradigm that relied largely on nonquantifiable descriptions of activities. Through the program logic model, OPM articulates outcomes for each of its programs, based on the program's mission, and develops a group of quantifiable indicators which assess both efficiency and effectiveness, make it possible to observe trends over time, and more accurately determine the cost of achieving desired outcomes. Because OPM did not begin using the program logic model until FY 2003, there is no historic data for most of the performance indicators in its policy and human capital leadership activities.

## Improvements in Describing Program Outcomes and Performance Indicators

OPM's experiences with completing the Program Assessment and Rating Tool (PART) for the employee benefit programs profoundly affected how it applied the program logic model. As prescribed by the PART, OPM extrapolates outcomes from its programs' founding legislation, regulations, or other charter forming documents that are researched to describe the program's purpose for the PART. Once outcomes have been articulated, program activities and outputs are defined, and both long-term measures of program effectiveness (outcome-related) and annual performance indicators of program efficiency (activity- or output-related) are developed. Based on these experiences in applying the PART to the Retirement and FEGLI programs, new performance indicators were established in FY 2004 for all of the benefits programs (retirement, health benefits, and life and long term care insurance) that assess the impact they have on Federal agencies' ability to recruit and retain the employees needed to fulfill their missions. Data for these new indicators is being collected but is not available for this report.

## Improving Controls Over Data Collection and Reporting

OPM strengthened controls over the collection and reporting of performance information during FY 2004. The agency continued to update and further document its internal procedures for tracking and reporting performance information. These procedures identify data sources and establish data quality standards for OPM's performance indicators and other performance information used in PARs. These policies and procedures will improve the reliability, consistency, and auditability of performance data as they are presented in performance budgets and reports. These procedures include:

1) Developing additional internal controls, such as recalculating figures to ensure their accuracy.

2) Tracing performance data to their supporting documentation.

3) Establishing an automated executive information system that tracks significant agency performance indicators on a regular basis throughout the year. This allows OPM to identify potential problem areas before they become serious, so that the agency may redirect resources as needed to deal with the issue.

## Data Sources

Generally, OPM collects performance data from four sources that include 1) internal work processing and financial systems, 2) feedback from customers and agency stakeholders, 3) contractors and third-party partners, and 4) manual data collections *(See Appendix A — Data Sources)*.

OPM has great confidence in the completeness, accuracy, and reliability of the performance data it collects from its *internal work processing systems*. This is the largest category of performance data, representing about 40 percent of the performance indicators established for FY 2004. These data are generally based on ongoing business transactions, much of which are recorded according to long-standing procedures that are well known to responsible staff and founded on basic accounting principles. These data are primarily used to support performance indicators for Strategic Goals 2 and 3 and the management strategy, including e-Gov activities.

Indicators based on feedback from *customers and agency stakeholders* are the second largest category of data and represent 31 percent of the total. This category is the primary data source for OPM human resource policy activities under Strategic Goal 1, comprising 27 of the 36 indicators established for FY 2004. Customer and stakeholder feedback is also used for indicators for Strategic Goals 2 and 3. These data are collected through surveys and focus groups. All OPM surveys used to collect performance information are developed by trained and experienced survey methodologists. Surveys are delivered to sample populations that are identified through sound scientific random sampling techniques. Although this kind of performance information is based on peoples' perceptions and is therefore less reliable and accurate than the data collected from processing systems, OPM is very confident in this information and frequently uses it to make both program and financial decisions.

OPM also has confidence in the data it collects from *contractors and third-party partners*, which represent 15 percent of its indicators. The contractors involved deliver services for the Federal Employees Group Life Insurance and Long-Term Care Insurance programs. Third-party partners include the Office of Management and Budget in scoring the PMA, and independent accrediting organizations that monitor health performance Nationwide.

*Manually collected indicators* represent the remaining 14 percent of OPM's FY 2004 performance metrics. These indicators generally involve low volumes and are often based on empirical events or are partially automated — e.g., the number of GoLearn courses completed.

## Data Verification and Validation

*Verification* deals with the ability to replicate and document reported data. Third-party evaluators must be able to determine that the data are correct and accurately reflect the real world.

The data *validity* issue centers on the question of whether the measures align with annual performance goals, objectives, and strategic goals. Does success in achieving the target for the indicator accurately reflect the level of success achieved in attaining the goal? The measures should focus on what is most important and should derive data from statistically reliable instruments.

Verification and validation of OPM's performance are accomplished through periodic reviews, certifications, and audits; and are supported by automated systems, external expert analysis, and management reviews. OPM's end-of-year reporting process for the PAR includes certifications from associate directors and heads of offices regarding the accuracy and completeness of reported results.

Results are reviewed by the Strategic Planning, Budget, and PMA Scorecard Group, and then audited by the Office of the Inspector General. The review process includes (1) tracking historic data to ensure consistency with reported in previous PARs and Performance Budgets, or providing explanations when there are changes; (2) updating any information in the previous PAR that was incomplete; (3) determining that the data provided fully respond to the indicator and are complete; (4) evaluating the status of achieving each goal; (5) ensuring that explanations are provided if a goal is not met or is substantially exceeded; and (6) verifying that sources of information are clearly identified.

## Unreported Performance Data

Due to the accelerated publication date for the FY 2004 PAR, some performance data were not available at the time the report was prepared. Of the 155 indicators that OPM planned to report on in this report, data is not available for 37, or 24 percent, or them. Twenty-seven of these were to be used to assess OPM performance in its human resources policy activities and the four FY 2004 annual performance goals under Strategic Goal I. This represents nearly 68 percent of the indicators under this goal. In response, OPM has used alternative information to assess its performance under these goals. This information for the most part describes completed activities, initiatives, and milestones that represent significant program achievements that agency believes demonstrate its success in providing Federal agencies with critical human resources policy during FY 2004, and progress toward program outcomes.

Nine of the remaining 10 indicators were planned for OPM's human capital leadership and merit system compliance activities under Strategic Goal II. These nine indicators represent nearly two-thirds of the 14 indicators established for the two annual performance goals under this strategic goal. Again, OPM used alternative performance information to assess it performance here. OPM finds the alternative information it used for this report meaningful for reliable performance measurement and is evaluating whether this information should be as source data for new performance indicators for the goals and programs.

OPM's unreported data pertains to surveys that provide information on customer and stakeholder perceptions that were still being administered when this report was prepared. The results of these surveys will appear in OPM FY 2006 Congressional Budget Justification and the FY 2005 PAR. These surveys are as follows:

The *Federal Benefits Survey.* OPM is conducting its first-ever Federal Benefits Survey, which will be administered to a random sample of about 3,000 Federal employees. About half of the sample consists of employees hired within the last three years. The survey will, among other things, identify the role various benefits played in respondents' decisions to seek Federal employment. It will also identify which of these benefits encouraged longer term employees to remain in Federal service. Thirteen indicators, all of which support Strategic Goal I, are contingent upon the Federal Benefits Survey.

*Stakeholder Focus Groups.* To obtain feedback from key agency personnel regarding the effectiveness of OPM human resources policy initiatives and on-going policy support, OPM is conducting several focus groups. Fourteen performance indicators (11 for Strategic Goal I and 3 for Strategic Goal II) rely on these focus groups for data.

The *Federal Human Capital Survey.* Last conducted in 2002, the Federal human Capital Survey is being repeated for FY 2004. This instrument is being distributed electronically to hundreds of thousands of employees across the Federal Government. It will produce information on a wide variety of OPM programs, including information on specific policy initiatives and the quality of customer service provided by the agency. The Federal Human Capital Survey also will provide data for six performance indicators, three each under Strategic Goals I and II. OPM expects survey results to be available in winter 2005.

## Program Evaluations

OPM implemented an agency-wide Research and Evaluation Plan in FY 2004. This plan describes OPM's overall blueprint for performance measurement, evaluation, and research capacity. The plan is intended to strengthen the agency's ability to assess and evaluate its programs and initiatives, carry out on-going program performance measurement, and conduct forward looking research in support of human resources policy. Using the evaluation plan, OPM can determine, through objective measurement and systematic analysis, the manner and extent to which its programs achieve intended objectives.

To implement its Research and Evaluation Plan, OPM offices propose research and evaluation projects as a part of both the budget planning process in advance of a specific fiscal year, and when they prepare their operational plans to implement a budget following the actual appropriation of resources. Thus, OPM revisits the planned research and

evaluation proposals in its Congressional Budget Justifications through its operational planning. This process allows the Director to set reviews and adjust research priorities for the agency.

Program Evaluations are conducted by a number of groups: OPM staff, contractors, or academic institutions. Additionally, OPM's Inspector General, the Government Accountability Office and sometimes other organizations, conduct their own program evaluations independent of the OPM evaluation plan.

In FY 2004, the evaluations listed below assessed OPM programs and/or policies and guidance. The program evaluations proposed in the FY 2004 Research and Evaluation Strategy Plan will be conducted in FY 2005 and therefore reported in next year's PAR.

## PROGRAM REPORTS PRODUCED BY OPM

1) *Statistical Information on Hispanic Employment in Federal Agencies,* FY 2003 Report. As a key component of the President's Management Agenda, OPM holds agencies accountable for establishing processes for outreach and for recruiting and retaining a diverse, high quality workforce, including those in mission-critical occupations and leadership positions. Over the past three years, Governmentwide data clearly indicates that Hispanic representation in the Federal workforce has increased overall. OPM will continue to provide guidance and proactive support to help agencies establish new strategies and best practices in this area.

2) *Working for America: Agency Survey on Improving Federal Hiring,* May 2004. A Governmentwide survey on "what ails" the Federal hiring process found human resources flexibilities and tools granted by OPM to expedite quality hires are not being used effectively by agencies, nor to the fullest extent possible. OPM must "launch an agency by agency effort to highlight and remedy the gaps that keep the Federal government from realizing its human capital potential."

3) *OPM 2003 Telework Report.* The report summarized findings from the 2003 telework survey and described the major telework promotional activities undertaken by OPM in partnership with GSA in 2003. The overall conclusion of the report is that telework is growing steadily in the Federal government. Telework is slowly but steadily moving into the mainstream, as an expected part of an effective agency's personnel strategy, rather than as a "special" program needing a great deal of external support. But the report also pointed out that there is work that needs to be done to reach OPM's telework goals.

4) *FY 2002 Employment of Veterans in the Federal Government Report.* Over the past year, new veteran hires increased by 19.2 percent. Veterans represent 17 percent of all new hires in the Federal Government and 26 percent of all full-time permanent new hires. To further drive results in veterans hiring, OPM created the Veteran Invitational Program, a new initiative which provides men and women in transition from military service to civilian life with timely, accurate and useful information regarding civilian employment opportunities with the Federal government.

5) *Federal Student Loan Repayment Program Report, FY 2003.* Use of the program greatly increased in FY 2003, as 24 Federal agencies provided more than $9.1 million in student loan repayment benefits to 2,077 Federal employees. OPM will continue to work with agencies to assist them in establishing a budget plan to target the use of student loan repayments, as well as other recruitment and retention flexibilities, to meet their human capital management needs.

## GAO EVALUATIONS

1) *Human Capital: Increasing Agencies' Use of New Hiring Flexibilities* (GAO-04-959T), July 13, 2004. Although Congress, OPM, and agencies have all recently undertaken efforts to help improve the Federal hiring process, agencies report they are making limited use of the two new hiring flexibilities contained in the Homeland Security Act of 2002: category rating and direct-hire authority. Today's challenge is to define the appropriate roles and day-to-day working relationships for OPM and individual agencies as they collaborate on developing innovative and more effective hiring systems.

2) *Human Capital: Key Practices to Increasing Federal Telework* (GAO-04-950T), July 8, 2004. Much work remains to ensure that Federal employees have the opportunity to telework. While individual agencies, OPM and GSA are making progress, each has a role to play in expanding the use of this flexibility. Individual agencies, OPM, and GSA should seek to more fully understand the barriers to telework and take action to remove those barriers.

3) *Human Capital: Additional Collaboration Between OPM and Agencies Is Key to Improved Federal Hiring* (GAO-04-797), June 7, 2004. Congress, OPM, and agencies have recognized that Federal hiring has needed reform, and they have undertaken various efforts to do so. Today's challenge is to define the appropriate roles and day-to-day working relationships for OPM and individual agencies as they collaborate on developing innovative and more effective hiring systems.

4) *Human Capital: Status of Efforts to Improve Federal Hiring* (GAO-04-796T), June 7, 2004. The report discusses significant issues and actions being taken to: reform the classification system, improve job announcements and Web postings, automate hiring processes, and improve candidate assessment tools.

5) *Human Capital: Opportunities to Improve Federal Continuity Planning Guidance* (GAO-04-384), April 20, 2004. GAO recommends that FEMA and OPM more fully address human capital considerations in emergency preparedness guidance, including COOP, by incorporating key actions identified in this report. GAO also recommends that OPM clearly define the role FEBs play in improving emergency preparedness coordination and address any resulting capacity issues.

6) *Human Capital: Selected Agencies' Experiences and Lessons Learned in Designing Training and Development Programs* (GAO-04-291), January 30, 2004. GAO identified important lessons learned from five Federal agencies' experiences in designing training and development programs for their employees that could be useful to other agencies facing similar challenges. These lessons learned are related to the following three areas: Assessing agency skill requirements and identifying training needs, developing strategies and solutions for training needs, and determining methods for evaluating training programs.

7) *Office of Personnel Management: Health Insurance Premium Conversion* (GAO-04-168R), October 20, 2003. Cost benefit analysis: OPM estimates that the Premium Conversion tax benefit to employees in fiscal year 2003 to be $848 million: $692 million in Federal income taxes; $113 million in Medicare taxes; and $43 million in Social Security taxes. OPM expects these estimates will increase by 7 percent a year in subsequent.