



B-285569

June 30, 2000

The Honorable Fred Thompson  
Chairman  
The Honorable Joseph I. Lieberman  
Ranking Member  
Committee on Governmental Affairs  
United States Senate

Subject: Observations on the Office of Personnel Management's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan

As you requested, we have reviewed the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 1999 performance reports and fiscal year 2001 performance plans required by the Government Performance and Results Act of 1993 (GPRA). In essence, under GPRA, annual performance plans are to establish performance goals and measures covering a given fiscal year and provide the direct linkage between an agency's longer term goals and day-to-day activities. Annual performance reports are to subsequently report on the degree to which those performance goals were met.

This letter contains two enclosures responding to your request concerning key program outcomes and major management challenges at the Office of Personnel Management (OPM). Enclosure I to this letter provides our observations on OPM's fiscal year 1999 actual and fiscal year 2001 planned performance for the key outcomes that you identified as important mission areas for the agency. These key outcomes are as follows: (1) the federal government has an appropriately constituted workforce with the proper skills to carry out its missions; (2) federal employees are evaluated, rewarded, and otherwise held accountable for their performance; (3) federal agencies adhere to merit system principles; and (4) there is less fraud and error in the Federal Employees Health Benefits Program. Enclosure II lists the major management challenges facing the agency that we and OPM's Inspector General identified, how its fiscal year 1999 performance report discussed the progress the agency made in resolving these challenges, and the applicable goals and measures in the fiscal year 2001 performance plan.

## Results in Brief

Based on its fiscal year 1999 performance plan, its fiscal year 1999 performance report, and its fiscal year 2001 performance plan, OPM clearly recognizes the importance of its role in addressing the federal government's most critical human capital issues, including the key outcomes you asked us to examine. We had no difficulty, for example, locating in these documents a number of performance goals directly related to the key outcomes you identified. However, while OPM has made some progress in developing more results-oriented goals and performance measures, its fiscal year 1999 performance report falls short in demonstrating either the extent of the progress OPM has made in pursuing desired outcomes or the actual effect of its programs on the way the federal government manages its human capital systems.

Although many of the performance report's performance goals are quantifiable, most are activity-based measures (e.g., guidance issued, technical assistance given, oversight reviews performed) that are not outcome-oriented, making it difficult to track progress in a meaningful way. Many of OPM's quantifiable goals (e.g., increasing the levels of underrepresented groups in the federal workforce) lack the specific information, target measures, and baseline data needed to objectively measure progress. Moreover, many of the intentions OPM expresses in describing its performance goals (e.g., "enhance workforce quality" or "more successfully address employee performance problems") are not meaningfully defined or quantified. Further, OPM's assessment of its own progress is often less than rigorous. For example, the performance report states that a performance goal is scored as "met" if the "majority of the most important of the indicators" were achieved. However, neither the performance report nor the performance plans identify the "most important of the indicators" or define how OPM determined whether a "majority" had been accomplished. Under these circumstances, OPM's assertion that it achieved 94 percent (108 out of 115) of the annual performance goals established for fiscal year 1999 lacks real meaning.

OPM's fiscal year 2001 performance plan differs from—and represents an improvement over—its previous performance plans in that it is organized according to the four strategic goals in its revised strategic plan, which is currently in draft form. The new goals—headed, respectively, by the words "lead," "protect," "serve," and "safeguard"—are clearly an effort by OPM to further refine its mission and its focus on the specific efforts that would advance that mission. Characterizing the most appropriate mission and role for OPM, and defining the most effective tools and strategies for accomplishing its goals in a changing civil service, have been long-standing issues facing the agency.<sup>1</sup> For example, because most of OPM's efforts are in support of other agencies' human capital functions, OPM faces a built-in challenge in trying to identify achievable outcome-related goals and meaningful performance

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<sup>1</sup> See Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19, Jan. 19, 1989), Federal Personnel Management: OPM Reliance on Agency Oversight of Personnel System Not Fully Justified (GAO/GGD-93-24, Dec. 8, 1992); Civil Service Reform: Changing Times Demand New Approaches (GAO/T-GGD-96-31, Oct. 12, 1995), and Human Capital: Managing Human Capital in the 21<sup>st</sup> Century (GAO/T-GGD-00-77, Mar. 9, 2000).

measures. OPM has been wrestling with these challenges in its successive planning documents. The revised strategic plan, for example, reflects the kinds of challenges facing OPM when it emphasizes that OPM will attempt to strike a balance between (1) promoting the flexibilities necessary for all agencies and all segments of the federal workforce to meet their strategic goals more effectively, and (2) pursuing the appropriate level of monitoring and oversight of agencies' adherence to the merit principles.

Regarding the four key outcomes we analyzed for fiscal year 1999, changes in OPM's performance plan for fiscal year 2001 do not appear to be major. Some of the performance goals that have been refined in the plan—such as those involving OPM's efforts to align competencies for key occupations with those in the private sector, make classification standards more up-to-date and develop a Web-based workforce planning tool—show added promise for helping agencies clarify their human capital needs and hire appropriate candidates. More broadly, however, although a variety of performance goals have been modified or added in the fiscal year 2001 performance plan, the plan's activity-based performance goals and measures, and the frequent lack of a clear connection between OPM's actions and expected outcomes, will continue to make it difficult to evaluate both the extent of OPM's progress and the actual effect of its activities on the federal government's human capital systems.

## Outcome Goals

- The federal government has an appropriately constituted workforce with the proper skills to carry out its missions. Based on the scope of our review, OPM made limited progress toward this key outcome. We examined three performance goals OPM adopted for fiscal year 1999 that were directly related to this key outcome, including developing competencies for major federal occupations, developing information and strategies for increasing the levels of underrepresented groups in key federal occupations, and equipping agencies with a further simplified General Schedule (GS) classification system. All of these performance goals had the potential of demonstrating OPM's progress toward achieving the outcome goal of creating an appropriately constituted workforce with the proper skills. Flaws in the accompanying measures, however, make it difficult to track and substantiate OPM's progress. For example, under the fiscal year 1999 performance plan, the goal of increasing the levels of underrepresented groups in key federal occupations is to be pursued through issuance of a "model recruitment plan" for the agencies, but the accompanying measure is not focused on the performance goal; instead, it is based on agencies' survey responses on the "usefulness" of the plan.

On the other hand, some potentially promising modifications to the fiscal year 1999 performance goals and measures are provided in the fiscal year 2000 and fiscal year 2001 performance plans, and some new goals have been added that could significantly contribute to the key outcome of creating an appropriately constituted federal workforce with the proper skills to carry out its missions. For example, OPM's fiscal year 2000 performance plan states that OPM will develop a

Workforce Planning and Analysis Model for the agencies, including an automated application for making a variety of employment-related data readily available. The fiscal year 2001 performance plan improves on the original goal by establishing milestones for developing the application and incorporating feedback from the agencies.

- Federal employees are evaluated, rewarded, and otherwise held accountable for their performance. Based on the scope of our review, OPM made substantial efforts, but limited progress, toward this key outcome. We examined five performance goals adopted for fiscal year 1999 that were directly related to this key outcome—two dealing with compensation/rewards and three dealing with performance management (including evaluation/accountability).

Regarding compensation/rewards, OPM planned to develop and disseminate (1) a comprehensive picture of state-of-the-art compensation practices as a step toward creating options for performance-oriented compensation approaches and (2) a proposal for a revised annual pay adjustment process for the GS and related pay systems. The performance report checks off these goals as met, but the text indicates only that interim steps were taken.

Regarding performance management, one OPM goal was that the “governmentwide performance management policy framework is up-to-date and accommodates cutting-edge proposals so that agencies can enhance individual and organizational performance and ensure individual accountability.” OPM officials told us the key indicator of progress under this goal was that the performance management policy framework created by OPM in 1995 was accommodating agencies’ performance management innovations, as shown by the fact that agencies “were virtually always told that performance management regulations permit them to do as they wish.” OPM officials said that fundamental changes to the performance management framework were not deemed necessary; in fiscal year 1999, the only changes made were in the regulations involving carryover, assumed, and retroactive performance ratings. Under another performance management goal, that of providing assistance and advice to agencies in developing employee performance management systems that meet the requirements of GPRA and are used to support and reward the accomplishment of agency strategic goals, OPM’s performance target was a 2-percent rise in the percentage of favorable ratings in OPM’s Customer Satisfaction Survey. However, respondents’ satisfaction with OPM’s technical assistance on performance appraisal issues fell by 3 percent, from 71 percent in fiscal year 1998 to 68 percent in fiscal year 1999; satisfaction with technical assistance on incentive awards declined by 6 percent, from 72 to 66 percent, during the same period. OPM offered no explanation for this decline. Follow-up study of such data might reveal whether the decline was meaningful and, if so, whether it was a reflection on OPM’s technical assistance or on other issues relating to performance appraisal. Another OPM goal related to performance management was that agencies use OPM-provided resources and assistance to more successfully address employee performance problems. Although the results for fiscal year 1999 were mixed and in some cases performance data were unavailable, the fiscal year 2000

performance plan added a new and potentially useful measure of OPM's efforts to promote accountability: an increase in the number of agencies that have implemented performance standards for senior-level managers that address the process for identifying and resolving poor performance.

- Federal agencies adhere to merit system principles. OPM's considerable efforts to oversee the merit system are difficult to assess. We examined two performance goals adopted for fiscal year 1999 directly related to this key outcome, which dealt with OPM's determination of agencies' compliance with the merit principles. Some performance measures for the goals were process-related, such as "agencies reviewed as scheduled." Other performance measures that called for improvements in adherence to merit system principles or in human resource management did not include baseline data or target measures, or assess the extent to which OPM's efforts led to improvements. Nor was there a clear portrayal of how OPM findings among the agencies may or may not influence the scheduling or methodology for future merit system reviews in agencies or policy actions on OPM's part. We examined two other performance goals adopted for fiscal year 1999 directly related to this key outcome, which dealt with agencies' own systems of accountability for compliance with merit system principles. As with the other performance goals discussed above, the lack of specificity, baseline data, target measures, and an assessment of the extent to which OPM's efforts led to improvements made it difficult to gauge OPM's progress toward these goals. For example, while OPM reported performing 50 reviews of local examining authorities—a number that exceeded OPM's goal of 18 reviews—there was no clear portrayal of the outcome of these reviews or the implications of the findings from OPM's point of view.

OPM's fiscal year 2001 performance plan consolidates three of the four performance goals just discussed and expands one of them to specifically state "improve agency accountability for conducting HRM in accordance with the merit system." One of the performance measures the expanded goal includes is that "more agencies incorporate HRM into strategic plans." While this and other performance measures under this performance goal are potentially helpful in addressing agencies' accountability for effective human capital management, the performance measures could benefit from greater specificity, both in the expectations for agencies and in establishing measures for assessing agencies' progress. For example, OPM could provide the agencies with a framework for including human capital considerations in their strategic plans so that agencies would be made aware of the strategic human capital issues (e.g., workforce planning, leadership and succession planning, and training and professional development) that must be considered in a performance management environment.

- Less fraud and error in the Federal Employees Health Benefits Program (FEHBP). Performance goals relating to this key outcome are assigned both to OPM and to OPM's Office of Inspector General (OIG). The fiscal year 1999 performance report notes that OPM met its goals in the area of financial oversight of the

employee benefit trust funds, including receiving unqualified opinions from an independent auditor on the fiscal year 1998 Trust Fund annual financial statements. OPM reported that it had improved management and administrative controls as well, allowing it, among other things, to resolve long-standing material weaknesses in its internal controls relating to Controls over Health Benefit Program Claims Payments. The fiscal year 1999 performance plan did not explicitly state OPM goals specific to preventing fraud and error in FEHBP. However, the fiscal year 2001 performance plan contains an expanded goal stating that the trust fund financial systems are brought “closer to full compliance” with requirements for federal financial systems and includes a provision that “OPM’s Federal payroll office oversight and monitoring program will be expanded . . . through on-site visits to payroll offices, including reviews of payroll records and audit findings that pertain to the administration of the employee benefit programs.” In addition, in the fiscal year 2001 performance plan, the three OIG goals related to this key outcome receive considerably expanded emphasis, with performance measures portrayed more fully than in previous plans. The goal stating that “fraud against OPM programs is detected and prevented” is identical with the goal as stated in the fiscal year 1999 plan, but it includes target performance measures—most of them activity-based—that indicate an increased emphasis on pursuing debarment inquiries directed against untrustworthy health care providers.

## **Management Challenges**

We and OPM’s Inspector General (IG) previously identified 12 major management challenges facing OPM. Of these, three are no longer considered challenges. In one case, Y2K readiness, the key event has passed. In the other two cases—(1) inadequate controls over the accuracy of annuity payments and (2) inadequate internal controls related to the accuracy and completeness of payroll withholdings and information provided by other agencies—the IG no longer considers them to be challenges. Of the nine remaining management challenges, OPM’s fiscal year 1999 performance report addresses seven. Among these seven, OPM has made progress in some areas. For example, OPM improved its debt collection and accounts receivable processing systems by completing documentation of the policies and procedures for accounts receivable and cash management and by improving the process for referring delinquent accounts to the Treasury Department. Two challenges were not addressed in the performance report: (1) the need to improve oversight of FEHBP and (2) controls over investments. As discussed earlier, the fiscal year 2001 performance plan reflects enhanced attention to detecting and preventing fraud and error in FEHBP.

## **Objectives, Scope, and Methodology**

Our objectives concerning selected key agency outcomes were to (1) identify and assess the quality of the performance goals and measures directly related to a key outcome, (2) assess OPM’s actual performance in fiscal year 1999 for each outcome, and (3) assess OPM’s planned performance for fiscal year 2001 for each outcome.

Our objectives concerning major management challenges were to (1) assess how well OPM's fiscal year 1999 performance report discussed the progress the agency had made in resolving the major management challenges that we and the agency's Inspector General had previously identified, and (2) identify whether OPM's fiscal year 2001 performance plan had goals and measures applicable to the major management challenges. As agreed, in order to meet the Committee's tight reporting time frames, our observations were generally based on the requirements of GPRA, guidance to agencies from the Office of Management and Budget (OMB) for developing performance plans and reports (OMB Circular A-11, Part 2); previous reports and evaluations by us and others; our knowledge of OPM's operations and programs; and our observations on OPM's other GPRA-related efforts. We did not independently verify the information contained in OPM's performance report or plan. We conducted our review in April and May 2000 in accordance with generally accepted government auditing standards.

## **Agency Comments and Our Evaluation**

We met with OPM officials to discuss their comments on a draft of this report and subsequently received written comments from the OPM Director. In her written comments, which are reprinted in enclosure III, the Director said that "We were pleased to receive your overall favorable review of the Office of Personnel Management's fiscal year 1999 Performance Report and fiscal year 2001 Performance Plan." She also said that many of the improvements we noted in OPM's fiscal year 2001 performance plan were made in response to suggestions from us and other stakeholders and that OPM was planning additional actions based on the results of this review. The Director offered a few additional clarifications, which we have addressed as appropriate in this report.

One point that OPM asked us to address dealt with our analysis of Workforce Compensation and Performance Service (WCPS) Goal 6, which relates to upgrading the General Schedule position classification system (see pp. 15 and 18 to 20). Having appropriate and current position classification standards assists agencies in recruiting workforces with the right skills to achieve their missions. In its fiscal year 2001 performance plan, OPM revised the indicator for this goal from one that measured the number of position classification standards to one that now measures the average weighted age of these standards. OPM said that we did not comment about whether revising the measure for this goal was appropriate. OPM changed the indicator because it concluded that using the number of classification standards was not an effective gauge to measure simplification because it did not take into account emerging occupations, particularly in information technology. The revised measure is to consider the number of employees covered under a particular position classification standard to determine the average weighted age of the standards. We believe that the revised measure is appropriate, in part. OPM's rationale for using the average weighted age of the standards is that weighted age is an appropriate indicator of the currency of the position classification standards. While we agree that this measure would be an indicator of the currency of the standards overall, it is not clear from OPM's fiscal year 2001 performance plan as to whether there is a prioritization

scheme for updating position classification standards most in need of revision, such as in occupations in which significant change occurs, and for dealing with emerging occupations.

OPM also commented that our analysis gave “unwarranted credence” to small declines in certain measures when the measures were based on responses to OPM’s annual Customer Satisfaction Survey. This survey was sent to all human resources directors and a random sample of human resources specialists at federal agencies to measure their satisfaction with OPM policies, guidance, and assistance. OPM used the results of this survey to compare its performance for 1999 with baseline data established for 1998. As with all surveys, this survey had a sampling margin of error. For the 1999 survey, the margin of error was plus or minus 2 percentage points. OPM said that declines in satisfaction within this margin of error were “essentially nonsignificant” and that our commentary that OPM offered no explanation for such declines was “somewhat gratuitous.” We have two points to make in this regard.

First, we previously expressed reservations about the low response rates to OPM’s Customer Satisfaction Survey.<sup>2</sup> Those low response rates, coupled with the sampling margin of error, may undermine the utility of the 2-percentage point improvement in customer satisfaction OPM set as a goal for several of its measures for 1999. That is because the goals to increase satisfaction levels by 2 percentage points for these measures falls within a range that OPM has termed “essentially nonsignificant.” This is not to say that the measures themselves are not meaningful. While we believe that customer satisfaction rates are useful indicators of progress toward long-term goals, incremental goals that lie within the sampling margin of error of the survey may not be useful.

Second, because of the sampling error, small year-to-year changes in the level of responses to survey questions may not be meaningful indicators of movement in the levels of satisfaction—or dissatisfaction—among OPM’s customers. We must point out, however, that the declines in favorable responses by human resources specialists that we called attention to were, more often than not, greater than the 2-percentage point sampling error rate. The following are examples of such instances.

- For Employment Service Goal 13, dealing with information and strategies to increase the levels of underrepresented groups in key federal occupations, OPM tracked the percentage of favorable responses on the Customer Satisfaction Survey to three questions dealing with human resources specialists’ satisfaction with OPM’s information sharing and technical assistance. The percentage of favorable responses for each of the questions declined in 1999, compared with 1998, with declines exceeding the 2 percent sampling error rate for two of the three questions. For one question, the decline in the satisfaction level was 10 percentage points (see pp. 14 and 15).
- For Workforce Compensation and Performance Service (WCPS) Goal 11, relating to providing assistance and advice to federal agencies in developing performance

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<sup>2</sup> Results Act: Observations on the Office of Personnel Management’s Fiscal Year 2000 Annual Performance Plan, (GAO/GGD-99-125, July 30, 1999).



systems, we commented that for the two questions tracked, respondent satisfaction with OPM's technical assistance on performance appraisal issues and incentive awards had declined. Here, too, the declines exceeded the sampling error rate. For one question, the decline in the satisfaction level was 6 percentage points (see p. 24).

- For WCPS Goal 12, relating to providing advice and assistance on classification, compensation, and performance management, OPM used the Customer Satisfaction Survey to measure satisfaction with the advice and assistance it provided to human resources specialists. OPM's performance report showed that for seven survey questions tracked for fiscal years 1998 and 1999, the percentage of favorable responses declined for six of the seven questions, with declines for five questions exceeding the sampling error rate. For two questions, the decline in the satisfaction level was 7 percentage points (see pp. 24 and 25).

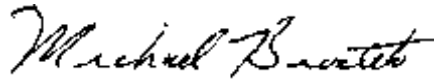
We believe that it is important for OPM to explore reasons for declines in customer satisfaction, particularly in situations in which the decline in survey respondents' satisfaction was greater than the sampling error rate, and consider possible actions to reverse any declines.

One of the management challenges we analyzed (see encl. II) was the need for OPM to implement its retirement system modernization initiative. According to OPM's OIG, the current system is inadequate to meet the increased workload and complexity of the Federal Employees Retirement System processes. In her comments, the Director said that under the strategic objective—by fiscal year 2005, a modernized retirement system that will be more cost effective than the current system—we should have considered two additional performance goals. The two goals, along with the goal we had identified in our draft report, deal generally with the quality, timeliness, and accuracy of OPM's annuity processing. Although it is appropriate for OPM to set goals and measures for these areas, these goals and measures do not directly respond to the OIG's reason for identifying the retirement system modernization initiative as a high-risk management challenge. The OIG's concerns lie with the "uncertainty of success" for both the reengineering of the retirement system's core business processes and the development and implementation of entirely new computerized systems to support these business processes. Because of these concerns, the OIG has recently undertaken a systems development life-cycle audit of the retirement system modernization initiative.

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As agreed with your offices, we plan no further distribution of this report until 30 days after its issuance.

Please call me or Assistant Director Stephen Altman on (202) 512-8676 if you or your staff have any questions. Key contributors to this letter were Anthony P. Lofaro and Sharon P. Hogan.

A handwritten signature in cursive script that reads "Michael Brostek".

Michael Brostek  
Associate Director, Federal Management  
and Workforce Issues

**Observations on the Office of Personnel Management's  
Fiscal Year 1999 Actual Performance  
and Fiscal Year 2001 Planned Performance  
in Relation to Key Outcomes**

The following provides our assessments of the Office of Personnel Management's fiscal year 1999 actual performance and fiscal year 2001 planned performance in relation to the following selected key outcomes: (1) the federal government has an appropriately constituted workforce with the proper skills to carry out its missions; (2) federal employees are evaluated, rewarded, and otherwise held accountable for their performance; (3) federal agencies adhere to merit system principles; and (4) less fraud and error in the federal employees health benefits program.<sup>1</sup>

There are two important concerns relating to our analysis. First, we found that OPM's reporting made it difficult to track the contents of its fiscal year 1999 performance report against the contents of its fiscal year 1999 performance plan. In the performance report, OPM explained that it had made changes to the performance goals and indicators appearing in its fiscal year 1999 performance plan. However, OPM did not prepare a revised fiscal year 1999 performance plan. Instead, the agency incorporated the revised 1999 performance goals and indicators into its fiscal year 2000 performance plan, without providing a clear crosswalk to track the changes between documents. As a result, we could not always "match up" the accomplishments reported in the fiscal year 1999 performance report with the agency's performance goals and indicators for fiscal year 1999. Second, our assessment of the extent to which OPM met its fiscal year 1999 performance goals often differs from the agency's own assessment. The performance report and performance plans would have benefited from a clearer statement of how OPM assessed its goals as having been met. For example, in its performance report, OPM explained that, when assessing whether its goals had been met, "not all indicators were of equal importance." The report stated that the agency assessed a goal as "met" if the "majority of the most important of the indicators" were achieved. However, neither the performance report nor the performance plans identified the "most important of the indicators" or defined how OPM determined whether a "majority" had been met.

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<sup>1</sup> OPM generally organizes its performance plans and performance report by having separate sections for each of its organizational components. For example, there are separate sections for OPM's Employment Service (ES) and Office of Workforce Relations (OWR) components, and each section has the performance goals for the respective component. The performance goals are numbered sequentially in each section, with the goal number preceded by the acronym for the component. For example, the first performance goal for the Employment Service component is shown as ES Goal 1. We follow the same scheme in our analysis in identifying OPM's performance goals.

**Key Agency Outcome: The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions**

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions

We identified three performance goals that most directly supported this key outcome.

Employment Service (ES) Goal 11: Required competencies are identified for all major federal occupations and occupational analyses of three governmentwide mission-critical occupations (auditing, accounting, information technology) are completed in order to provide information to support improved recruitment, selection, promotion, and career development tools needed for a high-quality federal workforce.

Measures include:

- An increase in the federal occupations for which competency information is available.

ES Goal 13: Information and strategies (including a model target recruitment plan) are available to agencies to increase the levels of underrepresented groups in key federal occupations and at key grade levels by 2 percent over fiscal year 1999 levels where necessary to be equivalent to their percentages in the relevant external labor market. (This goal is included under the strategic objective to raise the levels of underrepresented groups in federal employment to be equivalent to their percentages in the relevant external labor market by 2002.)

Measures include:

- Evaluate comparative data to determine if minority hiring and retention has resulted in a 2 percent increase in numbers in key occupations and at key grade levels where underrepresentation in the relevant labor market was shown in fiscal year 1999.
- Specific guidance is issued to assist agencies.
- Model recruitment plan is issued and agencies are satisfied with its usefulness, as measured by customer satisfaction results on the annual OPM Customer Satisfaction Survey.
- An increase in the level of agency HR specialists' satisfaction with information sharing and technical assistance as measured by informal feedback and a 2 percent increase over fiscal year 1998 levels in the percentage of favorable ratings (or maintenance of 90 percent or higher) on the OPM Customer Satisfaction Survey.

Workforce Compensation and Performance Service (WCPS) Goal 6: Agencies are equipped with a further simplified General Schedule classification system that contains fewer than 225 classification standards by fiscal year 2000. Agencies are equipped with a

## Enclosure I

Federal Wage System that is updated and maintained to reflect agency work practices by fiscal year 2000. (This performance goal falls under the strategic objective to simplify and automate the current General Schedule position classification system, reducing the number of position classification standards from more than 400 to fewer than 100.)

### Measures include:

- Reduce the number of classification standards and/or documents to less than 320 by fiscal year 1999.

### GAO's Observations on OPM's Fiscal Year 1999 Actual Performance for the Key Agency Outcome The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions

OPM fell short of meeting each of these three goals.

For ES Goal 11 on identifying competencies for major federal occupations, OPM's performance report states that this goal was met. However, while the performance goal states that "required competencies are identified for all major federal occupations," the performance measure merely calls for "an increase" in the federal occupations for which competency information is available. OPM's progress toward this goal could be more readily assessed if the goal were clearer (i.e., how many occupations, and when?) and if OPM provided data on the number of occupations for which competency information was already available and the number of occupations for which new competency information was made available during fiscal year 1999.

In addition, whereas the performance goal stated that occupational analyses would be done for the auditing, accounting, and information technology occupations, the performance report stated that a pilot project was operational only for the accounting occupation. Except for saying that competency information "will be added" for information technology occupations in fiscal year 2000, the report did not indicate whether analyses of the other two occupations were under way and, if so, when they would be completed.

As discussed later in this report, the performance report said that, in future years, OPM would determine if the improved recruitment, selection, promotion, and career development tools were useful.

For ES Goal 13, relating to increasing the levels of underrepresented groups in key federal occupations, OPM's fiscal year 1999 performance report states that although not all performance measures were met, this performance goal was met. However, the results reported in the performance report indicate otherwise. This performance goal is outcome-oriented, with the goal of increasing the level of underrepresented groups in key occupations and grade levels by 2 percent. It also contains activity-based indicators (i.e., disseminate information, develop strategies) for OPM to use in pursuit of the performance goal.

## Enclosure I

OPM's progress under this performance goal is uncertain at best. Although the goal as stated is "to increase the levels of underrepresented groups in key federal occupations and at key grade levels," the occupations and grade levels and representation gaps and targets are not identified. Therefore, the data necessary to evaluate this goal are not available. Rather, the performance report identifies women and Hispanics as the underrepresented groups. But the report does not identify the percentages of women and Hispanics in the relevant external labor force, and instead merely shows their percentage representation in the overall federal workforce.

Further, although OPM reported having met this goal, according to the data reported, the goal was not met. Compared with a goal of increasing the representation of underrepresented groups in key occupations at key grade levels by 2 percent, performance report data show a one-tenth percentage point increase in the representation of women and a two-tenth percentage point increase in the representation of Hispanics in the federal workforce from fiscal year 1997 to fiscal year 1998. The performance report did not contain fiscal year 1999 data.

OPM reports that it met two activity-based goals—issuing specific guidance to assist agencies and issuing a model recruitment plan. Guidance in such areas as employment of persons with disabilities was issued, as well as a model recruitment plan. But accomplishments such as these could have been more readily assessed against expectations had measurable goals, in terms of activities and outputs, been clearly established by OPM.

More broadly, however, OPM's goals need to focus on the outcomes of its efforts rather than the outputs. For example, the measure for the "model recruitment plan" goal is not focused on outcomes, such as improvements on the recruiting or hiring of employees to fill specific needs identified by agencies, but rather in the less meaningful area of the agencies' satisfaction with the plan's "usefulness." Expressed in these terms, the tacit message is that OPM's role in improving federal recruiting is, at best, indirect and that OPM cannot directly measure its contributions in the recruitment area.

OPM's goal of issuing a model recruitment plan includes this component: that agencies are satisfied with the recruitment plan's usefulness as measured by customer satisfaction levels on the OPM Customer Satisfaction Survey. While the results show an increase in customer satisfaction in 1999 to 60 percent for technical assistance (up from 51 percent in 1998), and 51 percent for information sharing (up from 49 percent), neither the performance report nor the performance plan identifies what the acceptable levels of satisfaction should be.

The measure for "HR specialists' satisfaction with information sharing and technical assistance" included as a goal a 2-percent increase over fiscal year 1998 levels (or maintenance at 90 percent or higher) in the level of HR specialists' satisfaction with information sharing and technical assistance, as indicated by favorable ratings on the OPM Customer Satisfaction Survey. As the performance report acknowledges, this goal was not met. In fact, the level of respondent satisfaction declined from fiscal year 1998 to fiscal year 1999 for each of the three areas tracked, and fell short of the 90 percent

overall target. Respondent satisfaction with workforce diversity information declined by 6 percentage points, from 70 percent in 1998 to 64 percent in 1999. For the same period, respondent satisfaction with workforce diversity technical assistance dropped by 10 percentage points, from 68 to 58 percent, while satisfaction with statistical diversity reports declined by 2 percentage points, from 67 to 65 percent. OPM does not discuss possible reasons for this decline or possible actions to reverse it.

It should be noted, as well, that small changes in the level of favorable responses to the Customer Satisfaction Survey may not be meaningful indicators of movement in the level of satisfaction among OPM's customers. This is because the sampling error rate for the survey is 2 percentage points; changes of 2 percentage points or less in the response rate may simply be accounted for by chance. This is not to say that the measures themselves are not meaningful. While we believe that customer satisfaction rates are useful indicators of progress toward long-term goals, incremental goals that lie within the survey's sampling margin of error may not be useful.

For WCPS Goal 6 relating to simplifying the general schedule classification system, OPM's performance report states that progress was made, but that, for reasons described later in this report, the agency changed how it would measure future progress toward this goal with different indicators.

Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions

WCPS Goal 6: Although our analysis showed that OPM fell short of meeting all three goals directly related to this key outcome, OPM's performance report identifies only WCPS Goal 6 as not having been met.

GAO's Observation on OPM's Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions

For WCPS Goal 6, OPM's performance report indicated that, while the agency made progress toward its goal of simplifying the General Schedule classification system, OPM concluded that using the number of classification standards was not an effective gauge to measure simplification because it did not take into account emerging occupations, particularly in information technology. Instead, OPM said that it would use revised indicators to emphasize a declining weighted average age of classification standards that apply to the General Schedule occupations. The indicator and targets are presented in the fiscal year 2001 performance plan (discussed below).

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### Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions

Two goals were added and two were revised for this key agency outcome.

#### Added goals:

ES Goal 3: Redesigned Qualification Standards that integrate competency-based examining and Department of Labor and Office of Management and Budget standard Occupational Classification systems are completed so that agencies are better able to coordinate selection, career development, and job mobility programs to provide a simple, understandable framework for government job applicants.

#### Measures include:

- Making revised Qualifications Standards for critical occupations available to agencies as planned by the end of fiscal year 2000.
- Agencies will indicate that the new standards are assisting them in recruiting and selecting a diverse, high quality workforce, as measured by OPM's Customer Satisfaction Survey.

ES Goal 8: A model for workforce planning, analysis, and forecasting—the Workforce Planning and Analysis model—(initially enhanced by a direct link to Census, Labor, and Education data, with expansion of databases in later versions) is in place so that agencies can enhance workforce quality for mission-critical occupations by selecting from a diverse pool of well-qualified applicants, and by conducting effective succession planning.

#### Measures include:

- The model (a fully operational prototype) is available to agencies as planned by the end of fiscal year 2000, and at least two agencies will have begun to use the model.
- Agencies will indicate that the model is assisting them in their internal workforce planning.

#### Revised goals:

ES Goal 11, relating to identifying competencies for major federal occupations, adds the measure:

- To assess “results of longitudinal studies of the quality of the workforce in these occupations to determine if new tools were useful.”

ES Goal 13, relating to increasing the levels of underrepresented groups in key occupations, adds the measure:



- “Satisfaction levels of 80 percent or higher as measured by HR specialists’ ratings on specific guidance materials issued in fiscal year 2000, as measured by the annual Customer Satisfaction Survey.”

GAO’s Observations on OPM’s Fiscal Year 2000 Planned Performance for the Key Agency Outcome The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions

The two added goals, in particular, could significantly contribute to the key outcome of the federal government having an appropriately constituted workforce with the proper skills to carry out its missions.

Regarding the new ES Goal 3, OPM’s fiscal year 2000 performance plan explained that this goal to redesign classification standards is a new priority, noting that it would lead to aligning public and private occupations for the first time to assist in recruiting and selecting a diverse, high-quality workforce. The performance plan is clear in stating the target date (by the end of fiscal year 2000) for the revised Qualifications Standards for critical occupations to be available to agencies.

For the new ES Goal 8, OPM’s fiscal year 2000 performance plan said that this goal to develop a workforce planning model is a new priority that will enable agencies to deal with future potential crises by identifying where vacancies will occur, and by identifying skills and competencies that will be needed in order to support succession planning. The measures for this goal provide specific targets for when the prototype model will be available to agencies and how many agencies will use it. Although not a specific measure, the finished workforce planning tool would be completed by fiscal year 2001, according to the performance plan. For the measure dealing with agency feedback, OPM’s performance plan does not discuss OPM’s planned methodology for obtaining the information from the agencies to determine whether the model is assisting them in workforce planning.

For ES Goal 11, relating to the identification of competencies for major federal occupations, the fiscal year 2000 performance plan identified the added measures to assess the results of longitudinal studies of the quality of the workforce in major federal occupations as an indicator for fiscal year 2000 and beyond. We believe that this is a critical outcome indicator. However, OPM does not identify the longitudinal studies that will be the source of the data or how “useful” is to be defined.

For ES Goal 13, relating to increasing the levels of underrepresented groups, the added measure provides a specific target—80 percent—compared with a baseline of 66.7 percent.

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### Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions

Two goals were revised while a new goal was added for this key agency outcome.

#### Revised goals:

WCPS Goal 6, relating to the position classification system, becomes WCPS Goal 4 in the fiscal year 2001 performance plan and states:

“Lead the continuing multi-year effort to develop family job standards to evaluate General Schedule positions that comply with title 5 U.S.C. and respond to Presidential initiatives.”

#### Measures include:

- Declining weighted average age of general schedule position classification standards indicates that standards are more current.
- Five additional job family standards are issued.

ES Goal 8, relating to the development of a workforce planning model, becomes ES Goal 1 in the fiscal year 2001 performance plan, with revised measures.

#### Revised measures:

- The prototype will be available for evaluation by interested agencies by the middle of fiscal year 2000, and at least two agencies will be using the prototype.
- In fiscal year 2001, requirements for the comprehensive or Beta version of the model, incorporating stakeholder feedback of the prototype, are finalized and development of the Beta model is well under way.
- A fully operational model will be available to all agencies in 2002.

#### Added goal:

ES Goal 2: A comprehensive program is developed to plan for, recruit, develop, and retain staff for the Federal Cyber Service, to protect national computer data and data exchange, and to staff related, hard-to-fill occupations.

#### Measures include:

- Competency and task information for federal information technology occupations will be available to agencies by fiscal year 2001.

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- Recruit 300 college students for the Federal Cyber Service for the first year beginning September 2001, and 300 students for each subsequent year until agencies have met their desired staffing levels.

ES Goal 7: (replaces ES Goals 3 and 11) A validated competency-based approach to qualification standards and assessment policies is implemented governmentwide.

### Measures include:

- Continue implementing the competency-based job profiles to replace current minimum qualification standards for 100-plus covered professional/administrative occupations.
- Develop a guide to assist agencies in developing technical competencies to supplement general job profiles.
- The Qualifications Standards Operating Manual will be revised to include guidance on the competency-based approach.

ES Goal 9 replaces ES Goal 13 and states:

“Federal workforce diversity and veteran hiring efforts for Executive Branch departments and agencies are monitored and reported on, and policies, guidance, and strategies are developed, to assist agencies in increasing diversity levels in key federal occupations and at key pipeline grade levels as they endeavor to achieve a workforce representing all segments of society, honoring national values placed in law.”

### Measures include:

- The Federal Equal Opportunity Recruitment Program Report reflects increased agency awareness and strategies to improve the representation of minorities and women in the federal workforce in fiscal year 2001.
- Specific programs to hire people with disabilities are improved to increase overall employment of people with disabilities in fiscal year 2001.

GAO’s Observations on OPM’s Fiscal Year 2001 Planned Performance for the Key Agency Outcome The Federal Government Has An Appropriately Constituted Workforce With The Proper Skills To Carry Out Its Missions

With the revision to WCPS Goal 4, relating to the General Schedule classification system, OPM changes the indicators to measure its efforts toward simplifying the classification system. Instead of using the number of published classification standards as the indicator of simplification, OPM will use the average weighted age of classification standards as an indicator of the currency of the standards. The revised measure will consider the number of employees covered under a particular position classification standard to determine the average weighted age of the standards. The goal for fiscal year 2001 is an average age of General Schedule position classification standards of 125 months (10 years, 5 months), compared with the an estimated average age in fiscal year 2000 of 225 months (18 years, 8 months) and a fiscal year 1999 baseline of 450 months

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(37 years, 6 months). Although using the average weighted age is an appropriate measure, in part, what is not clear in the performance plan is if there is a strategy for identifying those classification standards that need to be revised, and whether, in fact, those most in need of updating have been revised. In addition, the fiscal year 2001 performance plan calls for issuing five additional job family standards. OPM's plan indicates that, overall, 45 job family standards will be developed. However, the plan does not offer a target date for completing all the job family standards or whether there is a prioritization scheme.

For ES Goal 1, relating to the development of a workforce planning model, OPM's measures have become more specific, with steps in the development process annotated. However, while the fiscal year 2000 performance plan said that the finished workforce planning tool would be completed in fiscal year 2001, the fiscal year 2001 performance plan states that the fully operational model will be available in 2002 (the plan does not indicate if this is a fiscal or calendar year). No explanation was offered for this change.

For ES Goal 2 on planning for, recruiting, developing, and retaining information technology specialists, the performance plan explains that this new initiative—called the Federal Cyber Service—is intended to ensure an adequate supply of highly skilled federal information security specialists. Towards this goal, although not themselves indicators, OPM will develop a “scholarship for service” program and, by the end of fiscal year 2001, determine the number of information technology security vacancies. It is unclear how the stated recruitment level of 300 college students per year was determined and the extent to which the planned recruitment level will meet the government's need. OPM's stated intent “to track the success of recruitment through meetings at least annually with representatives of participating agencies” may lack the evaluation rigor necessary to assess the extent to which the Federal Cyber Service program is meeting the government's need for information technology security specialists.

The performance goal ES Goal 7, to implement a competency-based approach to qualification standards, falls under the strategic objective “government hiring selections are based on broader measures of job-related competencies, and occupation definition are aligned so that they are compatible with those used in the private sector, by fiscal year 2003.” The changes intended by this goal should assist agencies in recruiting people with the right skills for their respective workforces. The performance plan does establish a goal on the number of competency-based job profiles to be implemented, the number that have been developed, and the number to be developed in fiscal year 2000. A goal for the number of competency-based job profiles to be developed in fiscal year 2001 was not shown in the performance plan.

For ES Goal 9, relating to workforce diversity and veteran hiring efforts, the measure fails to identify baseline data or articulate meaningful targets. However, OPM's analysis will make comparisons using occupation specific (or relevant) civilian labor force data.

**Key Agency Outcome: Federal Employees Are Evaluated, Rewarded, And Otherwise Held Accountable For Their Performance**

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome Federal Employees Are Evaluated, Rewarded, and Otherwise Held Accountable for Their Performance

OPM's fiscal year 2000 performance plan contained six performance goals for fiscal year 1999 directly related to the key outcome that federal employees are evaluated, rewarded, and otherwise held accountable for their performance. Two of the goals deal with compensation/rewards and four goals deal with performance management (evaluation/accountability).

Following are the two pay-related performance goals.

WCPS Goal 2: Options for performance-oriented approaches to strategic compensation in the federal government are formulated and vetted among stakeholders so that consensus legislative proposals can be drafted and forwarded for action. (This goal falls under the broader strategic objective to propose legislative changes to achieve a modern, performance-oriented system by 2002.)

Measures include:

- Develops and disseminates a comprehensive picture of state-of-the-art compensation practices.

WCPS Goal 9: Pending major reform of the federal compensation system, a proposal for a credible annual pay adjustment process for the General Schedule and related pay systems is developed.

Measures include:

- A proposal for a revised annual pay adjustment process is developed and disseminated.

Four related performance goals constitute OPM's plans for performance management systems. The first goal is:

WCPS Goal 10: The governmentwide performance management policy framework is up-to-date and accommodates cutting edge proposals so that agencies can enhance individual and organizational performance and ensure individual accountability.

Measures include:

- Regulations include all the necessary adaptive changes required by changes in law, changes in policy interpretation, and changes in regulations by other program areas.

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- Regulations have clearly defined, broad parameters and provide maximum flexibility.

The second performance management-related goal is:

WCPS Goal 11: Agencies are provided assistance and advice in developing employee performance management systems that meet the requirements of GPRA and are used to support and reward accomplishment of agency strategic goals.

Measures include:

- Increase by 2 percent the percentage of favorable ratings (or maintenance at 90 percent or higher) in OPM's Customer Satisfaction Survey by human resources specialists for OPM's technical assistance on performance appraisal and incentive awards issues.
- Performance management products address features and explain the five fundamental processes of performance management.
- Issue "Measuring Employee Performance."

The third performance management-related goal is:

WCPS Goal 12: Federal agencies receive timely, clear, accurate, and useful advice and assistance on classification, compensation, and performance management that keeps them better informed on appropriate system flexibilities and ways in which they can support accomplishment of agency strategic goals.

Measures include:

- Increase by 2 percent (or maintenance at 90 percent or higher) the percentage of favorable ratings in the level of HR specialists' satisfaction with OPM's technical assistance on compensation, classification, and performance management issues.

The fourth performance management-related goal is:

Office of Workforce Relations (OWR) Goal 2: Managers and HR practitioners use OPM-provided resources and assistance to more successfully address employee performance problems.

Measures include:

- Improvement in the extent to which instructional materials about identification and resolution of performance problems are available to federal managers and supervisors, as measured by the creation and use of needed materials and by an increase in the number of hits on the poor performance home page.
- Improvement in the level of satisfaction of HR Directors and Specialists with regard to instructional materials about the identification and resolution of

performance problems, as measured by a 2 percent increase (or maintenance at 90 percent or higher) in the percentage of favorable ratings on the annual Customer Satisfaction Survey.

- Reduction in the perception that poor performance is tolerated in the federal government as measured by a 2 percent decrease in the percentage of unfavorable ratings in the annual Merit System Principles Questionnaire (MSPQ). The increase in an annual increment to reach the 5-year strategic target of a 10 percent decrease in unfavorable ratings.

GAO's Observations on OPM's Fiscal Year 1999 Actual Performance for the Key Agency Outcome Federal Employees Are Evaluated, Rewarded, and Otherwise Held Accountable for Their Performance

Although OPM reports that it met its goals directly related to this key agency outcome, the discussion in the performance report shows, that except for WCPS Goal 10, limited progress was made.

For WCPS Goal 2, relating to formulating strategic compensation options, although OPM reports that the goal and measure were met, it is unclear whether this is the case. In general, the goal and measure are expressed as products. The performance report does not clearly state whether options for performance-oriented approaches to strategic compensation were formulated (the goal) or whether a comprehensive picture of state-of-the-art compensation practices was developed and disseminated. The performance report, however, describes the accomplishment of activities that indicate progress toward the planned output, including collecting information about private sector compensation structures.

For WCPS Goal 9, relating to developing an annual pay adjustment process, this performance goal and measure are output oriented. Although OPM reports that the goal and measure were achieved, the performance report is not clear in stating that a proposal for the annual pay adjustment process was developed. However, OPM reports activities indicating progress toward this goal, including the development of "guiding principles" and "draft legislative specifications."

Both WCPS Goals 10 and 11 measure activities and outputs, reflecting an OPM role of assisting agencies in developing performance management systems that are "cutting edge" or that meet the requirements of GPRA and are used to support and reward accomplishment of agency strategic goals.

For WCPS Goal 10, regarding the performance management policy framework, the performance report states that each of the measures was accomplished. Although the performance report did not identify regulations that needed updating or state definitively that "all the necessary adaptive changes" to regulations had been made, OPM officials told us that no fundamental changes were deemed necessary in the performance management framework OPM created in 1995. The only changes made in fiscal year 1999 involved regulations dealing with carryover, assumed, and retroactive performance ratings. Although it was not clear how OPM determined whether performance

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management regulations had “broad parameters and provide maximum flexibility,” OPM officials told us that the key indicator was whether these regulations accommodated agencies’ performance management innovations. In this regard, both the performance report and the OPM officials with whom we spoke said that agencies “were virtually always told that performance management regulations permit them to do as they wish.” Accomplishments the performance report identified for both performance goals also included the publication of guidance and publicity and outreach efforts. However, there was no measure dealing with the outcome of these efforts; that is, the extent to which agencies have adopted performance management systems in line with GPRA.

For WCPS Goal 11, relating to OPM’s provision of assistance and advice in developing performance management systems, one outcome measure—**increase by 2 percent the percentage of favorable ratings in OPM’s Customer Satisfaction Survey for technical assistance on performance appraisal and incentive award issues**—was not met. Respondent satisfaction with technical assistance on performance appraisal issues declined by 3 percentage points, from 71 percent in fiscal year 1998 to 68 percent in fiscal year 1999, while satisfaction with technical assistance on incentive awards also declined, by 6 percentage points, from 72 to 66 percent. The performance report did not provide an explanation for these results. In addition, the report did not address whether OPM would study the reason for the decline to learn, for example, whether it was a reflection on OPM’s technical assistance or on other issues relating to performance appraisal and incentive awards. In addition, the measures used in the performance report were different than the measures originally identified for fiscal year 1999. Originally, OPM said that it would measure Customer Satisfaction Survey results for its sharing of information on performance appraisal and incentive awards.

The two other WCPS Goal 11 measures are output and activity based. Among other things, the performance report discusses OPM’s initiatives to make information on performance management topics available, including issuing the “Measuring Employee Performance” handbook.

Although OPM reports having met WCPS Goal 12 on providing advice and assistance on classification, compensation, and performance management, a key measure was not met. That measure was to **increase by 2 percent (or maintain a favorable rating response rate of 90 percent) the percentage of favorable responses in the pertinent program areas to the OPM Customer Satisfaction Survey**. Performance report data show that for seven survey program areas tracked and for which 1998 baseline data were available, the percentage of favorable responses for technical assistance declined for 6 of the 7 program areas, with declines for 5 areas exceeding the 2 percent sampling error rate. The percentage of favorable responses for the 7 program areas changed as follows from 1998 to 1999:

- premium pay and hours of work—favorable responses increased from 78 to 81 percent;
- annual pay adjustment process—favorable responses declined from 83 to 81 percent;
- federal wage system—favorable responses declined from 77 to 72 percent;
- non-foreign area COLA—favorable responses declined from 74 to 67 percent;



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- position classification and position management—favorable responses declined from 70 to 63 percent;
- performance appraisal—favorable responses declined from 71 to 68 percent (also used for WCPS Goal 11); and
- incentive awards—favorable responses declined from 72 to 68 percent (also used for WCPS Goal 11).

The measures OPM uses for OWR Goal 2 (providing resources and assistance to address poor performance) do not directly measure whether, and the extent to which, practitioners are using OPM resources and more importantly whether, and the extent to which, practitioners are more successfully addressing performance problems. In its fiscal year 1999 performance report, OPM stated that examples of successful efforts would be reviewed to determine if they might effectively be showcased governmentwide in fiscal year 2001. This baseline data will be established in fiscal year 2000.

With regard to the second measure for OWR Goal 2, to increase HR directors' and specialists' satisfaction with OPM's materials for dealing with performance problems, although the performance report checks off the measure as having been met, close scrutiny of the report shows only partial achievement. Of the 4 survey responses used for this measure, 1 showed a 7 percent increase in the level of satisfaction greater than the sampling error rate of 2 percent. That response showed an increase in HR specialists' overall satisfaction with OPM's CD-ROM on dealing with poor performers, from 66 to 73 percent. For the three other survey areas, there was no statistically significant change in the percentage of favorable responses from 1998 to 1999. The percentage of HR specialists' favorable responses regarding:

- the timeliness and quality of information sharing on dealing with poor performers increased from 74 to 75 percent;
- the timeliness and quality of technical assistance in dealing with poor performers remained stable at 70 percent; and
- the overall level of satisfaction with The Guide for Supervisors increased from 78 to 80 percent.

As noted earlier in this report, responses to the HR Directors Survey were not sufficient enough to make it a credible and reliable survey.

With regard to the third OWR Goal 2 measure dealing with the reduction in the perception by MSPQ respondents that poor performance is tolerated in the federal government, OPM said that the MSPQ was revised for 1999 and could not be compared to prior years. Therefore, OPM did not report MSPQ results for 1999. However, the fiscal year 2000 performance plan reported that 40 percent of respondents to the 1998 MSPQ said that they perceived that poor performance was tolerated.

Unmet Fiscal Year 1999 Performance Goals And Measures for the Key Agency Outcome Federal Employees Are Evaluated, Rewarded, and Otherwise Held Accountable for Their Performance

WCPS Goal 11 (relating to advice and assistance on performance management systems): As discussed above, one outcome measure for this goal—to increase by 2 percent the percentage of favorable ratings in OPM’s Customer Satisfaction Survey—was not met. Respondent satisfaction with technical assistance on performance appraisal issues declined by 3 percentage points, from 71 percent in fiscal year 1998 to 68 percent in 1999, while satisfaction with technical assistance on incentive awards also declined, by 6 percentage points, from 72 to 66 percent.

WCPS Goal 12 (providing advice and assistance on classification, compensation, and performance management): As discussed above, the measure to increase by 2 percent (or maintain a favorable rating response rate of 90 percent) the percentage of favorable responses in the pertinent program areas to the OPM Customer Satisfaction Survey was not met. Rather than increasing, the performance report data show that for seven survey program areas tracked and for which 1998 baseline data were available, the percentage of favorable responses for technical assistance declined for 6 of the 7 program areas.

OWR Goal 2 (providing resources and assistance to address poor performance): OPM did not meet the measure to reduce the perception that poor performance is tolerated in the federal government as measured by a 2 percent decrease in the percentage of unfavorable ratings in the annual MSPQ. As discussed below, OPM said that the MSPQ was revised for 1999 and could not be compared to prior years.

GAO’s Observation on OPM’s Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome Federal Employees Are Evaluated, Rewarded, and Otherwise Held Accountable for Their Performance

The performance report did not provide explanation for the declines in the measures for WCPS Goals 11 and 12 nor did the performance report indicate whether OPM would study the reason for the decline.

OPM did not provide data for the OWR Goal 2 measure based on the MSPQ. The performance report said that the MSPQ was revised for 1999 and could not be compared to prior years to determine whether goals were met.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome Federal Employees Are Evaluated, Rewarded, and Otherwise Held Accountable for Their Performance

The fiscal year 2000 plan listed a new measure for OWR Goal 2 (resources and assistance for dealing with poor performance):

- Increase over fiscal year 1999 levels in the number of agencies that have implemented performance standards for senior level managers that address

the process for identifying and resolving poor performance, as captured by an Employee Relations and Health Services Center survey.

GAO's Observations on OPM's Fiscal Year 2000 Planned Performance for the Key Agency Outcome Federal Employees Are Evaluated, Rewarded, and Otherwise Held Accountable for Their Performance

OPM did not provide reasons for why the new measure was added. However, this indicator can be valuable in measuring the extent to which agencies are adopting concrete steps for their senior managers to deal with poor performers. Baseline data, which were to be established in fiscal year 1999 according to the fiscal year 2000 performance plan, are instead to be established in fiscal year 2000, according to the fiscal year 1999 performance report.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome Federal Employees Are Evaluated, Rewarded, and Otherwise Held Accountable for Their Performance

WCPS Goal 2, (developing options for performance-oriented approaches to strategic compensation) becomes WCPS Goal 1 in the fiscal year 2001 performance plan.

Revised measures include:

- OPM will finalize the amalgamation of the results of research and stakeholder input carried out in fiscal year 2000 and continue to outline the changes necessary to improve the ability of federal compensation to support the attainment of strategic goals.

WCPS Goal 9 (developing a proposal for an annual pay adjustment process) is designated WCPS Goal 7 in the fiscal year 2001 performance plan, with one measure.

- A proposal for an annual pay adjustment process is developed and disseminated to stakeholders.

WCPS Goals 10 and 11 are incorporated into a new goal for fiscal year 2001—WCPS Goal 2 to “Promote performance improvements by maintaining a flexible, decentralized policy framework for appraisal, awards, and human resource development.”

There are two measures:

- Performance management products address features and explain the five fundamental processes of performance management (planning, monitoring, developing, rating, and rewarding performance).
- A continuous increase in the level of HR specialists' satisfaction with OPM's information sharing about performance appraisal and incentive award policies (or maintenance at 80 percent or higher).

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WCPS Goal 12 (providing advice and assistance on classification, compensation, and performance management) becomes WCPS Goal 8 in the fiscal year 2001 performance plan.

Measures include:

- Increase in the level of HR specialists' satisfaction with OPM's technical assistance in WCPS program areas.
- Agencies are satisfied with the advice WCPS provides.

OWR Goal 2, relating to resources and assistance for dealing with poor performance, becomes OWR Goal 4 in the fiscal year 2001 performance plan.

GAO's Observations on OPM's Fiscal Year 2001 Planned Performance for the Key Agency Outcome Federal Employees Are Evaluated, Rewarded, and Otherwise Held Accountable for Their Performance

For WCPS Goal 1 (developing options for performance-oriented approaches to strategic compensation), the measures outline steps in the process towards developing legislative proposals. The performance plan states that OPM's plan is to develop legislative proposals in fiscal year 2002, consistent with the target stated for fiscal year 1999.

For WCPS Goal 7 (developing a proposal for an annual pay adjustment process), the measure to disseminate a proposal appears to be a step in the process to have an improved salary survey process in place, which will be used to determine pay disparities for federal employees in local pay area by fiscal year 2003, according to the fiscal year 2001 performance plan. The plan identifies additional goals of the new system—to more accurately match federal and nonfederal occupations and identify pay disparities so that the Government may reduce compensation-generated turnover of skilled employees.

For WCPS Goal 12 (providing advice and assistance on classification, compensation, and performance management), the scope of the measures covers more indicators than previously; provides baseline data; and, for the first measure dealing with OPM's technical assistance concerning WCPS program areas, sets at 80 percent the target for favorable ratings for each of the 11 items for which data are collected. The target for the percent of favorable ratings had been 90 percent for 1999 and 2000. The fiscal year 2001 plan did not offer an explanation for this change. In addition, the numeric goals for the second measure are vague; i.e., guidance materials and reports receive "consistently high ratings." Neither a floor nor target levels are set for 10 items for which data are obtained. Data for both measures comes from OPM's annual Customer Satisfaction Survey.

**Key Agency Outcome: Federal Agencies Adhere To Merit System Principles**

**Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome: Federal Agencies Adhere To Merit System Principles**

OPM's fiscal year 2000 performance plan contained four performance goals for fiscal year 1999 directly related to the key agency outcome that federal agencies adhere to merit system principles. Two of the performance goals dealt with OPM's determination about whether agencies complied with merit system principles. Two others dealt with the extent and adequacy of agencies' own systems of accountability for compliance with merit system principles.

**Office of Merit Systems Oversight and Effectiveness (OMSOE) Goal 3a:** Agencies, governmentwide, adhere to the merit system principles and the laws, rules, and regulations governing federal human resources management (HRM).

**Measures include:**

- Improved adherence to merit system principles and improved HRM effectiveness.
- HRM improvements and correction of abuses that result from oversight reviews.
- Agencies reviewed as scheduled.
- Improvement in the percentage of employees responding favorably to the Merit System Principle Questionnaire.

**OMSOE Goal 3b:** HRM practices in non-title 5 agencies adhere to the merit system principles.

**Measures include:**

- Non-title 5 agencies adhere to merit system principles.
- Merit principle abuses are corrected.
- Agencies reviewed as scheduled.

**OMSOE Goal 4:** Agency systems ensure accountability for the merit system principles and the laws, rules, and regulations governing federal human resources management.

**Measures include:**

- Internal accountability systems established or improved.
- Interagency projects produce accountability models and measures.
- Evaluations of accountability systems in key agencies according to the Program Coverage Guide.

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OMSOE Goal 6: Delegated examining is conducted in accordance with merit system laws, regulations, and principles.

Measures include:

- Reviews conducted as scheduled.
- Violations are corrected.

GAO's Observations on OPM's Fiscal Year 1999 Actual Performance for the Key Agency Outcome Federal Agencies Adhere To Merit System Principles

OPM's progress toward meeting these performance goals was hard to assess because of a lack of specificity, baseline data, target measures, and an assessment of the extent to which OPM's efforts led to improvements.

For OMSOE Goal 3a (agencies adhere to merit system principles), OPM reports that, although one of the measures was not met, overall this goal was met. However, several factors combine to make the extent to which OPM achieved this goal less certain.

The first OMSOE Goal 3a measure of "improved adherence to merit system principles" did not have a baseline from which to measure improvement, an improvement target, or an assessment of the extent to which adherence improved. For this measure, the performance report said OPM reviews of agencies "uncovered only a few areas that required corrective actions." On the other hand, the fiscal year 2000 performance plan said that, in addition to the few serious violations, "scores of regulatory violations were found" without further delineating the extent to which agencies adhere to the merit principles. The performance report does not clearly address how OPM's review findings may influence (1) the scheduling and methodology for future agency reviews and (2) policy actions on OPM's part.

With regard to the second OMSOE Goal 3a measure, the performance report was clearer in stating that OPM's agency reviews were not closed until the agency complied with all required actions. However, because of the report's wording, it is uncertain whether any agency reviews and required corrective actions remained open.

Although OPM reported that it completed its scheduled reviews, the value of this OMSOE Goal 3a measure is unclear. With regard to the goal of measuring agency adherence to merit system principles, it would be useful for OPM to explain its methodology for scheduling agency reviews and whether scheduling takes into account factors associated with merit principle violations (i.e., allegations of improprieties and risk of noncompliance). In addition, while in the performance report OPM states that it "completed our scheduled reviews of a total of 15 agencies," the measure does not clearly state (1) how many such reviews were scheduled to be performed/completed in fiscal year 1999 or (2) whether the scheduled reviews were completed on time.

The OMSOE Goal 3a measure on the improvement in the percentage of favorable responses to the Merit System Principle Questionnaire fell short of goals, as responses to only two of the nine merit system principles questions tracked showed improvement.

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However, the value of this measure is unclear. The percentage of favorable responses for the nine merit system principle questions tracked ranged from 36 to 64 percent. Neither the performance report nor the performance plan states what the target level of favorable responses should be. In addition, the relationship between this measure and the first measure about agency adherence to merit principles is unclear. For example, although OPM's reviews of agencies found only a "few" areas that required corrective action, as noted above, the percentage of favorable employee responses for the nine merit system principle questions tracked ranged appeared low, ranging from 36 to 64 percent.

For OMSOE Goal 3b (non-title 5 agencies adhere to merit system principles), OPM reported that the performance goal and each of the measures were met. However, the discussion in the performance report does not fully support OPM's determination. Two agencies were reviewed. For one of these agencies OPM said that a determination of merit system adherence could not be made because of poor record keeping. The performance report does not state whether the record-keeping deficiencies were corrected and whether the agency's adherence to merit principles was later evaluated. With regard to the third measure—agencies reviewed as scheduled—our comments on a similar measure about the methodology for scheduling visits for the previous goal are applicable.

OPM reports that OMSOE Goal 4 (agency systems ensure merit system accountability) and its related measures were met. However, specificity is lacking about performance reported for the measures.

- With regard to the first measure, although OPM reports that it "worked very closely" with one agency to help it develop its new accountability system, there are no baseline data on the number of agencies that had accountability systems, and there was no goal for the number of agencies that would establish or improve their accountability systems in fiscal year 1999.
- With regard to the second measure, OPM reports that benchmark models and measures and a document to track agency progress were developed. There was no further discussion of the models, measures, or agency progress.
- With regard to the third measure, OPM reports that its evaluations of accountability systems in key agencies showed that "incremental" progress was made toward developing formal accountability systems. "Incremental" is not further defined. In addition, the number of evaluations done, and a corresponding goal for such evaluations, are not stated. Further, this outcome appears more related to the first measure, which deals with the establishment of accountability systems.

OPM reported that OMSOE Goal 6 (delegated examining complies with merit system laws, regulations, and principles) and the associated measures were met, as reviewed agencies complied with merit principles "for the most part." Although the performance plan covering fiscal year 1999 was not specific concerning the number of reviews to be

## Enclosure I

conducted, the performance report said that 50 such reviews were conducted, compared with a goal of 18. However, there is no explanation of the scheduling methodology.

With regard to the second OMSOE Goal 6 measure, the performance report is not clear on the outcome of the 50 reviews. It states that “only two serious abuses resulted in temporary withdrawal of local examining authority by agency headquarters.” From this wording, it is not clear whether there were other agencies with serious or lesser problems and if such problems were corrected. In addition, the report does not say whether the local examining authority was restored at the two agencies with “pervasive” errors and whether the errors were corrected.

### Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome Federal Agencies Adhere To Merit System Principles

Although OPM reported that overall these goals were met, a measure for one of the goals was not—improvement in the percentage of employees responding favorably to the Merit System Principle Questionnaire.

### GAO’s Observations on OPM’s Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome Federal Agencies Adhere To Merit System Principles

Of nine merit system principles that were tracked, favorable questionnaire responses increased for only two. The performance report attributed this outcome to attitudes influenced by factors such as downsizing and highly visible incidents of improper actions related to whistleblowing. The report further said that such factors may cause improvements in questionnaire responses to take longer.

### Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome Federal Agencies Adhere To Merit System Principles

No change.

### Fiscal year 2001 Performance Goals and Measures for the Key Agency Outcome Federal Agencies Adhere To Merit System Principles

OPM’s fiscal year 2001 performance plan contains two performance goals related to this key outcome.

OMSOE Goal 2 replaces three of the four goals, and associated measures, for fiscal years 1999 and 2000 (OMSOE Goals 3a, 3b, and 6) discussed above and states:

“Improve and support the high standard of agency adherence to the merit system principles and other laws, rules, and regulations and public policies governing federal human resources management.”



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### Measures include:

- Reviews reflect adherence to merit principles and compliance with HR laws and regulations.
- There is appropriate and timely resolution of problems found during the review process.
- Workforces' perceptions of equity and merit in the workplace.

The fourth 1999/2000 goal OMSOE Goal 4 becomes OMSOE Goal 3 in the fiscal year 2001 performance plan and has been expanded to say:

“Improve agency accountability for conducting HRM in accordance with the merit system.”

### Measures include:

- Increase in the number of agencies that have HRM accountability systems; improvement in existing agency accountability systems; and more agencies incorporate HRM into agency strategic plans.
- Overall accountability for HRM increases in agencies, as measured by the results of oversight reviews and appropriate special studies.

### GAO's Observations on OPM's Fiscal Year 2001 Planned Performance for the Key Agency Outcome Federal Agencies Adhere To Merit System Principles

These changes accompany OPM's revision of its strategic plan and reflect the priorities.

Similar to our assessment of the fiscal year 1999 goals, OMSOE Goal 2 to improve and support the high standard of agency adherence to the merit system principles does not have an improvement target or a baseline of agency adherence to merit principles from which to measure improvement. In addition, the fiscal year 2001 plan includes the percentage of favorable responses to the Merit Protection Systems Questionnaire as a measure. The concern noted earlier in our analysis about what the level of favorable responses should be remains. In addition, while providing baseline data for fiscal year 2000, OPM expresses its fiscal year 2001 goals for favorable questionnaire response as either “stable” or “improved” without a definitive numerical target.

For OMSOE Goal 2, the fiscal year 2001 performance plan addresses two concerns identified earlier in our analysis. The plan sets goals for the number of compliance reviews and audits. In addition, although not entirely clear on how agencies are scheduled for review, the performance plan states that OPM will apply its tested review approach on alternative personnel systems.

The second revised goal for fiscal year 2001—OMSOE Goal 4—to improve agency accountability contains a measure to increase the number of agencies with accountability systems. While this is a promising development, the plan neither contains baseline data nor establishes a goal for the number of agencies that will establish

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accountability systems. The second goal contains a new indicator, “overall accountability for HRM increases in agencies, as measured by the results of oversight reviews and appropriate special studies.” The performance plan does not define the level of expected accountability, but states that the baseline for this indicator will be established in fiscal year 2001.

**Key Agency Outcome: Less Fraud and Error in the Federal Employees Health Benefits Program**

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome Less Fraud and Error in the Federal Employees Health Benefits Program

Goals for this key outcome were established for OPM's Retirement and Insurance Service (RIS) and the Office of Inspector General (OIG). It is appropriate for the OIG goals to be considered because the OIG, which investigates and audits FEHBP activities, is funded primarily by the Retirement and Insurance Trust Funds.

RIS Goal 5: The financial oversight of the employee benefit trust funds is strengthened in that (a) the fiscal year 1998 Trust Fund annual financial statements receive unqualified opinions from an independent auditor, (b) the earned benefit financial subsystems are integrated with the new general ledger installed in early fiscal year 1999, and (c) financial policies and procedures supporting the earned benefit financial systems are properly documented and comply with applicable requirements and standards.

OIG Goal 1: Independent oversight of agency programs, operations, functions, and activities is provided.

Measures include:

- Number of audits, investigations, evaluations, or reviews completed.
- Dollars saved, recovery rate, and return on investment.
- Audit cycle, average number of unaudited years, and lost audit years for FEHBP carriers.

OIG Goal 3: Fraud against OPM programs is detected and prevented.

Measures include:

- Number of investigations resulting in positive disposition for the agency.
- Number of debarments (against health care providers) and amount of fines.
- Number of referrals to the Department of Justice.
- Percentage of carriers in compliance with debarment guidelines, and the percent that have debarment implementation plans in place.

OIG Goal 4: Overall quality and oversight of OPM's programs are improved.

Measures include:

- Monitor the use of IPAs [independent public accountants].
- Change in the number of material weaknesses.

GAO's Observations on OPM's Fiscal Year 1999 Actual Performance for the Key Agency Outcome Less Fraud and Error in the Federal Employees Health Benefits Program

RIS Goal 5 for strengthening financial oversight of the trust funds did not contain measures directly related to fraud and error in the FEHBP. However, the performance report states that RIS' new core financial management system was fully implemented in 1999, which allowed the resolution of a long-standing material weakness dealing with the preparation of Health Benefit Program financial statements consolidating carrier claims activities.

In addition, as one of the strategies under RIS Goal 5, the performance plan said that OPM will build on requirements implemented in fiscal years 1998 and 1999 that all FEHBP Experience-Rated Carriers (ERC) submit audited financial statements. Further, the fiscal year 2001 performance plan said that in July 1998 OPM published the "FEHBP Experience-Rated Carrier and Service Organization Audit Guide," which required ERCs to engage independent public accountants (IPAs) to perform specified procedures. According to the fiscal year 2001 performance plan, information reported by the IPAs did not disclose adverse opinions, findings, material weaknesses, or reportable conditions that, when taken as a whole, would have a material impact on the presentation of the OPM fiscal year 1998 financial statements representing FEHBP for ERCs.

The OIG performance goals contained activity-based measures and measures of the outcomes of audits and investigations. However, outcomes specifically related to the FEHBP were not always apparent. For OIG Goal 1 (oversight of agency programs, operations, functions and activities), for example, the OIG reported issuing 64 audit reports and closing 47 investigations resulting in actual recovery and management commitment to collect findings of about \$52 million. More important to the issue of oversight is the audit cycle for FEHBP carriers. Although not established as a formal goal, according to the original fiscal year 1999 performance plan, the preferred cycle for auditing FEHBP carriers is between 3 and 5 years, depending on risk, as any cycle longer than 5 years exposes the FEHBP to the risk of substantial loss because of records retention limits. The performance report shows that the audit cycle in fiscal year 1999 was 5.8 years. The original fiscal year 1999 and the fiscal year 2000 performance plans identified OIG resources as a factor for the higher-than-preferred audit cycle figure.

For OIG Goal 3 (detecting and preventing fraud), the performance plan showed that 41 investigations resulted in positive dispositions, while there were 2,743 debarments. Importantly, the report also showed that 99.1 percent of the carriers were in compliance with debarment guidelines and have debarment implementation plans in place.

Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome Less Fraud and Error in the Federal Employees Health Benefits Program

OIG Goal 3 (detecting and preventing fraud): OPM's performance report said progress was made toward the two-part measure on the number of debarments (against health care providers) and amount of fines. Although OPM said debarment goals were met, no fines were assessed.

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OIG Goal 4 (improving quality and oversight of OPM's programs): No data were available for the measure "monitor the use of IPAs."

GAO's Observations on OPM's Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome Less Fraud and Error in the Federal Employees Health Benefits Program

For OIG Goal 3, the performance report explained that fines could not be assessed because the OIG was in the process of drafting regulations and designing an administrative sanctions process to implement the Federal Employees Health Care Protection Act of 1998 (P.L. 105-266). According to the plan, the law is anticipated to be fully implemented in fiscal year 2001, with the first administrative sanctions in fiscal year 2000.

For OIG Goal 4, the performance report stated that there was no adequate methodology to report results and that the measure would be dropped.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome Less Fraud and Error in the Federal Employees Health Benefits Program

No change.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome Less Fraud and Error in the Federal Employees Health Benefits Program

RIS Goal 5 on "financial oversight of the employee benefit trust funds is strengthened" becomes RIS Goal 7 and states "the trust fund financial systems are brought closer to full compliance with the Federal Managers Financial Integrity Act (FMFIA)."

Measures include:

- "FEHBP experience-rated carriers submit audited financial statements to OPM."
- Financial policies and procedures supporting the earned benefit financial systems are properly documented and comply with applicable requirements and standards.

OIG Goal 1 is revised to subsume the OIG Goal 4 measure to reduce the number of agency material weaknesses. OIG Goal 4 is dropped. The OIG Goal 1 measures on the audit cycle, average number of unaudited years, and lost audit years for FEHBP carriers were dropped.

OIG Goal 3 (detecting and preventing fraud): Additional investigation-related baseline data and activity and outcome goals are included.

GAO's Observations on OPM's Fiscal Year 2001 Planned Performance for the Key Agency Outcome Less Fraud and Error in the Federal Employees Health Benefits Program

RIS Goal 7, relating to strengthening financial oversight of the trust funds, should measure compliance with the Federal Financial Management Improvement Act (FFMIA) rather than the FMFIA because the FFMIA deals with the requirements for financial systems. According to the OIG, the requirement that the ERCs submit audited financial statements to OPM provides for improved oversight of the FEHBP. As noted above, the fiscal year 2001 performance plan said that information reported by the IPAs did not disclose adverse opinions, findings, material weaknesses, or reportable conditions that, when taken as a whole, would have a material impact on the presentation of the OPM fiscal year 1998 financial statements representing FEHBP for ERCs.

For OIG Goal 1 (oversight of agency programs), the performance plan did not explain why the audit cycle measure was dropped.

For OIG Goal 3, the performance plan did not discuss the changes.

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**Observations on the Office of Personnel Management’s Efforts to Address Its Major Management Challenges**

The following table identifies the major management challenges confronting the Office of Personnel Management. The first column lists the management challenges identified by our office and the OPM Inspector General (IG). The second column discusses what progress, as discussed in its fiscal year 1999 performance report, OPM made in resolving its major management challenges. The third column discusses the extent to which OPM’s fiscal year 2001 performance plan includes performance goals and measures to address the management challenges that we and the OPM IG identified.

Table II.1: Major Management Challenges

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report</b>	<b>Applicable goals and measures in the fiscal year 2001 performance plan</b>
Information security. (GAO governmentwide high-risk)	<p>OPM reports having continued to upgrade information system security, particularly in the areas of firewalls and virus checking. Based on its internal assessments, OPM said that no security problems were identified or reported to the Office of Chief Information Officer.</p> <p>OPM also reported that a mainframe disaster recovery plan, which supports OPM’s general support and major financial, benefits, and workforce information application systems, was successfully tested.</p> <p>OPM’s fiscal year 1999 performance report notwithstanding, some information security concerns remain. OPM’s IG and independent public accountant (IPA) issued audit reports</p>	<p>OCIO Goal 5: OPM’s mission critical systems are protected by a robust information technology security program. Performance indicators include:</p> <ul style="list-style-type: none"> <li>▪ Few security problems are identified during internal and external evaluations and those that are identified are not material weaknesses and are rectified promptly.</li> <li>▪ A tested recovery capability is in place for OPM’s information technology support systems.</li> <li>▪ A remote site backup data storage capability is in place and performs at required levels.</li> </ul>

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report</b>	<b>Applicable goals and measures in the fiscal year 2001 performance plan</b>
	<p>on OPM's fiscal year 1999 financial statements on March 3, 2000 and Feb. 11, 2000, respectively. Each included evaluations of general controls for OPM's automated systems, and identified reportable weaknesses in information security controls. For example, the IPA reported that OPM does not have (1) an integrated enterprise-wide security program and (2) a formally established, integrated, and robust monitoring and response capability to ensure adequate network and system security. The IPA also said that OPM's physical access control system for the mainframe did not record all security events.</p>	



<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report</b>	<b>Applicable goals and measures in the fiscal year 2001 performance plan</b>
<p>OPM lacks specific, measurable, and results-oriented long-term goals in its strategic plan and annual goals that met these criteria in its fiscal year 1999 performance plan. (OIG)</p>	<p>OPM's Performance Report stated that the fiscal year 1999 Performance Plan was replaced by the fiscal year 2000 Performance Plan, which combined revised fiscal year 1999 goals with fiscal year 2000 goals. OPM revised the original fiscal year 1999 performance goals and indicators to reflect shifts in priorities and as a result of increased experience implementing GPRA. OPM's fiscal year 1999 performance report assessed the agency's fiscal year 1999 performance against these revised goals. In July 1999, GAO reported that OPM's fiscal year 2000 Annual Performance Plan contained more results-oriented performance goals and measures than the original fiscal year 1999 plan (GAO/GGD-99-125).</p>	<p>The fiscal year 2001 performance plan is organized according to the four strategic goals in OPM's revised strategic plan, which is currently in draft. The plan is clearly an effort by OPM to further refine its mission and its focus on the specific efforts that would advance its mission.</p>
<p>OPM must implement the retirement system modernization initiative because the current system is inadequate to meet the increased workload and complexity of the Federal Employees Retirement System processes. (OIG)</p>	<p>RIS 14: The performance report is not clear in describing the extent of progress in addressing this management challenge. The strategic objective covering fiscal year 1999 stated that, by 2002, OPM would "begin deploying a modern retirement system that fully automates a redesigned retirement process." The strategic objective established time-based goals for system development, including the</p>	<p>The strategic objective has been revised for fiscal year 2001 to state that, by fiscal year 2005, a modernized retirement system will be more cost effective than the current system. None of the three performance goals under this objective provide direct performance indicators relating to the retirement system modernization initiative, such as the kind of time-based goals for system development</p>

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report</b>	<b>Applicable goals and measures in the fiscal year 2001 performance plan</b>
	<p>development, by 1999, of alternative “Concepts of Operations” for a modernized system and for defining system modules. The fiscal year 1999 performance goal—“accelerated information technology solutions for a modernized retirement system are designed, developed, and implemented”—was accompanied by the performance indicator “a new business model for retirement is selected and a business process reengineering effort is initiated to form the basis for new technology solutions.” Although the fiscal year 1999 performance report does not clearly address this indicator, OPM’s fiscal year 2000 performance plan states that several concepts of operation were examined, a business model was selected, and the business process reengineering effort got under way in fiscal year 1998.</p>	<p>that were included in the previous performance plan. However, such time-based goals for the development and rollout of the modernized retirement system do appear in OPM’s Business Case Analysis, dated August 25, 1999. According to the Business Case Analysis, the retirement system modernization is to be implemented in two phases. Phase one, implementing the four key modules of the retirement system modernization, is to occur by May 2004. Phase two and continued rollout of programwide applications is to occur by the end of fiscal year 2006.</p>
<p>Financial management policies that establish internal controls and financial management/accounting systems that provide financial information for the Revolving Fund and salaries and expenses accounts’ transactions are not adequately documented. (OIG)</p>	<p>OCFO 1: Accounting policies and procedures for the Revolving Fund and salaries and expenses accounts have been documented for accounts receivable and cash management. Progress in documenting other policies, processes, and procedures was delayed</p>	<p>OCFO 1: Complete the documentation of the policies and procedures for accounts payable, property and equipment, payroll, travel, and budgetary accounting. Maintain and update the documentation of the policies and procedures for accounts</p>

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report</b>	<b>Applicable goals and measures in the fiscal year 2001 performance plan</b>
	by Y2K and other high priority activities.	receivable and cash management as well as the documentation for the financial systems.
Debt collection and accounts receivable processing systems for the retirement program, Revolving Fund, and salaries and expense accounts are weak. In particular, (1) weaknesses in collecting retirement program overpayments resulting from the lack of documented policies and procedures for managing and collecting receivables, the lack of reconciliations between the subledger receivable systems and the general ledger, and (2) the failure to consistently assess and pursue collection of interest and penalties on amounts due. (OIG)	<p>OCFO 1: Improved the process for referring delinquent accounts to the Treasury Department and increased the amount referred. Completed documentation of the policies and procedures for accounts receivable and cash management.</p> <p>Compared with a goal of 5 percent, the accounts receivable delinquency rate was 7.1 percent in fiscal year 1999 for Revolving Funds new accounts receivable. Delinquency rates for the retirement program and salaries and expense accounts were not reported.</p> <p>The performance report did not identify the extent to which accounts receivable were collected on time. The goal had been 95 percent.</p>	<p>OCFO 1: Material weaknesses are resolved.</p> <p>Accounts receivable delinquency rate is further reduced to 3.5 percent. (It is not clear whether this goal applies only to the Revolving Funds new accounts.)</p> <p>96.5 percent of accounts receivable are collected on time.</p> <p>Two goals were modified in the fiscal year 2001 performance plan.</p> <ul style="list-style-type: none"> <li>▪ The goal for the accounts receivable delinquency rate for fiscal year 2000 was revised upward from 2 percent to 4 percent.</li> <li>▪ The goal for identifying the extent to which accounts receivable were collected on time in fiscal year 2000 was revised from 99 percent to 96 percent.</li> </ul>
Enhanced oversight is needed for financial management of the Federal Employees Health Benefits Program	Not specifically addressed in the performance report. In her letter of November 18, 1999, to the Chairman of	RIS 7: The trust fund financial systems are brought closer to full compliance with the requirements for federal

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report</b>	<b>Applicable goals and measures in the fiscal year 2001 performance plan</b>
<p>(FEHBP) because OPM does not have an adequate system to ensure the accuracy, propriety, and completeness of premiums paid to carriers because of weak procedures for enrollment and premium reconciliations with carriers. (OIG)</p>	<p>the Senate Governmental Affairs Committee, the OPM Director said that OPM's OIG provides audit coverage over enrollment reconciliations. However, the OIG said in a follow-up conversation that it does not provide this coverage.</p>	<p>financial management systems.</p> <p>The fiscal year 2001 Performance Plan does not specifically address procedures for enrollment and premium reconciliations and controls over claims payments. In addition, the Performance Plan goal to bring the trust funds financial systems closer to full compliance with federal financial requirements includes the measures "FEHBP experience-rated carriers submit audited financial statements to OPM" and "financial polices and procedures supporting the earned benefit systems are properly documented and comply with applicable standards and requirements." In addition, according to the OIG, it is negotiating with a contractor to provide services to reconcile the Centralized Enrollment System.</p>
<p>Unreconciled discrepancies between OPM's general ledger accounts and Treasury records, including differences that have existed for several years. (OIG)</p>	<p>OCFO 1: The goal for reconciling cash accounts differences with the Department of the Treasury within 30 days was met. The performance report did not address the number of long-standing discrepancies.</p>	<p>OCFO 1: The goal for reconciling cash accounts differences with the Department of the Treasury remains 30 days.</p> <p>However, the performance plan does not address resolving the discrepancies</p>

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<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report</b>	<b>Applicable goals and measures in the fiscal year 2001 performance plan</b>
		that have existed for several years, according to the OPM OIG.
Material weaknesses in accounts payable processing and reporting. (OIG)	<p>OCFO 1: OPM reported that documentation of the accounts payable module was planned for completion by January 2000 (completed in March 2000, according to the OIG). Complete reconciliation of the vendor file was scheduled for July 2000. (In March 2000, OPM officials said that this date was revised to the end of fiscal year 2000.)</p> <p>85.6 percent of payments for Prompt Pay Act and to government agencies were on time, versus a goal of 97 percent. OPM's ability to meet this goal was affected by a catastrophic failure of the financial and payment system at the end of fiscal year 1998.</p>	<p>OCFO 1: Material weaknesses are eliminated.</p> <p>98 percent of payments for Prompt Pay Act and to government agencies will be on time.</p> <p>In the fiscal year 2001 performance plan, the goal for payment timeliness for fiscal year 2000 was revised from 98 percent to 97.5 percent.</p>

Enclosure II

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report</b>	<b>Applicable goals and measures in the fiscal year 2001 performance plan</b>
<p>Weaknesses in controls over investments because of inadequate procedures for authorizing and approving investment transactions and ensuring that the maximum and correct amounts available are invested in a timely manner. (OIG)</p>	<p>(RIS 7 of 2001 plan): Not specifically addressed in the performance report.</p>	<p>RIS 7: A measure included under the performance goal, “the trust fund financial systems are brought closer to full compliance with” requirements for federal financial systems , states “controls over trust funds are strengthened.” The plan describes the activities of an existing quality review program to reduce the incidence of errors.</p> <p>The fiscal year 2001 performance plan also stated that new Investment Management and Accounts Receivable modules had been installed.</p>

# Comments From the Office of Personnel Management



OFFICE OF THE DIRECTOR

UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, DC 20415-0001

JUN 22 2000

Mr. Michael Brostek  
Associate Director, Federal Management  
And Workforce Issues  
U. S. General Accounting Office  
Washington, DC 20548

Dear Mr. Brostek:

We were pleased to receive your overall favorable review of the Office of Personnel Management's fiscal year 1999 Performance Report and fiscal year 2001 Performance Plan. We were particularly pleased that you noted that OPM "clearly recognizes the importance of its role" in addressing the Federal Government's most critical human resource issues, and that we had made progress "in developing more results-oriented goals and performance measures." Both of these outcomes were priorities for our GPRA work during the past year.

We were also pleased that you were able to find many goals and measures in our performance plan and report that related to the key outcomes identified by the Senate Committee on Governmental Affairs for OPM. Because these outcomes differ from the outcomes we identified for ourselves in our strategic and annual plans, it is encouraging to find this overlap.

We, like all agencies, will continue to improve our GPRA products. Many of the improvements you noted in our fiscal year 2001 plan were made in response to suggestions from you and other stakeholders, and we are already planning additional actions based on the results of this current review. For example, we will strengthen our data validation and verification procedures this summer, and we will ensure that our next performance report more clearly describes the link between each performance measure and our overall strategic goals. In addition, since we will issue an updated fiscal year 2001 plan, we will more clearly explain how our continuing goals and objectives address the agency's management challenges.

Thank you for taking the time to meet with us to clarify some of the conclusions described in your draft report, and for the changes you made as a result. I am enclosing some additional clarifications I would appreciate being included in the final report.

Sincerely,

A handwritten signature in cursive script that reads "Janice R. Lachance".

Janice R. Lachance  
Director

Enclosure

Specific Comments

- In the *Results in Brief* section where the Workforce Compensation and Performance Service (WCPS) Goal 6 is referenced, you note that “flaws in the accompanying measures make it difficult to track and substantiate OPM’s progress,” but fail to acknowledge our effort to improve the measure used to gauge the upgrade of the General Schedule classification system. Later, in the table of more detailed observations about WCPS Goal 6, you acknowledge the change in measure, but make no comment about whether changing the measure was appropriate.
- You added additional narrative to your analysis of the goals and measures that pertain to the Retirement Systems Modernization Project (RSM) to inform the reader that OPM does have a long range plan for RSM, as described in our Business Case Analysis. This plan provides time-based goals for the development and rollout of this very important project. However, the narrative remains inaccurate in that it implies that only Goal 2 in the Retirement and Insurance (RIS) section of the FY 2001 Performance Plan pertains to the RSM project. In fact RIS goals 3 and 4 also pertain, as can be seen in the description of strategies below each of these goals. RIS Goal 3 refers to improving “the timelines and accuracy of FERS annuity benefits.” The narrative immediately beneath this Goal states that this improvement will result from the implementation of “the FERS Calculator, developed as an early win by the RSM Project . . . .” RIS Goal 4 pertains to improving customer satisfaction with a variety of services, including telephone services, responses to written inquiries, etc. The last Means statement supporting this Goal refers to “deploying the new Your Federal Retirement Benefits booklet – an early win from the Retirement Systems Modernization Project . . . .”
- Your numerous comments that OPM offered no explanation for small (e.g., 2 or 3%) declines in the customer satisfaction survey results are somewhat gratuitous. In the section of the Performance Report describing the quality of performance data, we note that our survey had a 2% margin of error. By definition, declines of less than 2% are essentially nonsignificant. Further statements such as “follow up study of such data might reveal whether the decline was meaningful, and if so, whether it was a reflection on OPM’s technical assistance or other issues . . . .” give unwarranted credence to these small changes.

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