



## Testimony

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

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# OFFICE OF PERSONNEL MANAGEMENT

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

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

## Why GAO Did This Study

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

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

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

[www.gao.gov/cgi-bin/getrpt?GAO-06-861T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-861T).

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

## OFFICE OF PERSONNEL MANAGEMENT

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

## What GAO Found

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## Leadership

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

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



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

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

Source: GAO analysis.

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

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

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

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

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

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

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## Talent and Resources

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

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<sup>7</sup>GAO, *High-Risk Series: Strategic Human Capital Management*, GA0-03-120 (Washington D.C.: January 2003).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<sup>12</sup>GAO-03-115.

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

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

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

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

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

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



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

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

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

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

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## Customer Focus, Communication, and Collaboration

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

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

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

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

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

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

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

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

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

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

<sup>17</sup>GAO-06-748T.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## Performance Culture and Accountability

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

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

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

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

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

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

- **Align individual performance expectations with organizational goals.** An explicit alignment of daily activities with broader results is one of the defining features of effective performance management systems in high-performing organizations. OPM executive performance contracts explicitly link individual performance commitments with organizational goals. Executives are evaluated on their success toward achieving goals that are drawn directly from the OPM Strategic and Operational Plan. Measures of these achievements account for 75 percent of executives' annual performance ratings. For example, one associate director's performance contract includes a commitment to achieve OPM's operational goal of having "80 percent of initial clearance investigations completed within 90 days."
- **Connect performance expectations to crosscutting goals.** High-performing organizations use their performance management systems to strengthen accountability for results, specifically by placing greater emphasis on collaboration to achieve results. OPM's executive performance contracts achieve this objective by making executives accountable for OPM-wide goals. In addition to specific divisional goals, each executive performance contract includes a common set of "corporate commitments" that transcend specific organizational boundaries and that executives must work together to achieve. These commitments are directly linked to the OPM Strategic and Operational Plan. For example, each executive contract includes a commitment to "Implement an employee recognition program at OPM by July 1, 2006."
- **Provide and routinely use performance information to track organizational priorities.** High-performing organizations provide objective performance information to executives to show progress in

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

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

- **Require follow-up actions to address organizational priorities.** High-performing organizations require individuals to take follow-up actions based on the performance information available to them. OPM’s performance contracts include commitments for executives to respond to results from the FHCS. Each associate director is committed to “Implement [an] action plan to ensure OPM is rated in the top 50% of agencies surveyed in the 2006 FHCS and the top five agencies in the 2008 FHCS.” To achieve this goal, each associate director developed a FHCS action plan for their division to address employee concerns identified in the 2004 FHCS and the follow-up focus group discussions.
- **Use competencies to provide a fuller assessment of performance.** High-performing organizations use competencies, which define the skills and supporting behaviors that individuals need to effectively contribute to organizational results. Each OPM executive performance contract includes core competency requirements for effective executive leadership, which account for 25 percent of annual performance ratings. For example, executives are responsible for building “trust and cooperative working relationships both within and outside the organization.”

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

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<sup>29</sup> [GAO-04-614](#).

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

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

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

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

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<sup>30</sup> [GAO-03-488](#).

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

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## Concluding Remarks

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

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

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<sup>31</sup> [GAO-03-488](#).



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## Contact and Acknowledgments

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

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# Appendix I

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## Federal Human Capital Survey, Focus Groups, and Action Plans

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

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

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