United States of America

The United States Office *of* Personnel Management

Fiscal Year 2005
Performance & Accountability Report

A Message *from the* Director

I am pleased to present the Office of Personnel Management's (OPM) Fiscal Year (FY) 2005 Performance and Accountability Report. Since becoming OPM Director in June 2005, I have been impressed by the critical role OPM plays in the lives of all Federal employees — past, present and future. From the initial security clearance investigation to the administration of health, retirement and life insurance benefits, OPM touches all Federal employees and, in many cases, their family members as well. Such influence and impact on the lives of nearly two million Federal employees are both a responsibility and a valued privilege for all OPM employees. We are cognizant of our duties and responsibilities. We are committed to ensuring our work continues to be successful and beneficial for the Nation, and makes a difference in the lives of the entire Federal workforce.

This commitment was vividly demonstrated late in the fiscal year when OPM assisted Federal agencies, employees, annuitants, and their families in the aftermath of Hurricane Katrina. During this difficult time, the men and women of OPM provided guidance and assistance to departments and agencies on the use of available human resources flexibilities. After the hurricane, we quickly established and publicized a toll-free telephone number and email address so that employees, retirees, and their families could obtain information on pay and benefits, as well as report their whereabouts.

At the request of the White House, OPM worked with departments and agencies to track employees in the areas affected by Hurricane Katrina. Additionally, we led the effort to recruit, interview, and make recommendations on the hiring of 150 public information officers to be deployed to the affected areas. Throughout all of these efforts, we maintained regular contact with the Federal Executive Boards and the Chief Human Capital Officers to disseminate helpful information and provide assistance where needed. In the future, we will continue to closely monitor and respond to events of this type to ensure that Federal employees receive proper resources and support.

FY 2005 was a time of substantial accomplishment at OPM as we continued to successfully lead President Bush's Strategic Management of Human Capital Initiative. By holding agencies and ourselves accountable for results, we have seen an increasing number of agencies using best human capital management practices to hire and manage their workforce.

During the year, we put into place the cornerstones of what will be an innovation in human resources management among Federal agencies. We partnered with the Department of Homeland Security (DHS) and Department of Defense (DOD) to implement new human resources management systems that will enable these organizations to better meet their critical missions, remain true to the core values of the civil service, and be a driving force in modernizing personnel management across Government. With national security and homeland security strategies dependent upon the quality of the people and the management systems that support them, we remain committed to excellence in this area.

It is our goal to utilize in other agencies the lessons we are learning from the new personnel systems being implemented at DHS and DOD. To that end, we contributed this past year to the Bush Administration's proposal for modernizing personnel systems across Government, the Working for America Act. When passed into law, this landmark legislation will bring greater flexibility to the way many

A Message *from the* Director

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Federal employees are managed, developed, and compensated. This proposal will better recognize and reward excellence in the Federal workforce, enabling agencies to keep their best performers and allowing those top performers to achieve success more quickly within their organizations. This initiative will continue to be a top priority at OPM.

This past year, OPM was honored to accept the challenge of taking over the personnel investigation functions of DOD's Defense Security Service (DSS). By transferring these functions to OPM's Federal Investigative Services Division, we will ultimately conduct over ninety percent of all background investigations for the Federal Government. To this end, we are successfully incorporating the DSS employees into OPM, providing appropriate training in the use of our automated system, and responding to the challenges of increasing demand and workload. With background investigations for future Federal employees serving such a vital service to the Government and our nation's security, OPM is proud to now be leading this effort.

Throughout FY 2005, we also led five successful projects in expanding electronic government — the most of any single Federal agency. Three of the projects — e-Clearance, e-Training/USALearning, and Recruitment One Stop/USAJOBS — are being graduated into the on-going business operations of OPM. Our e-Payroll initiative has now consolidated 85 percent of all civilian payroll processing into four payroll providers. These initiatives, proceeding as elements within the Human Resources Line of Business, will ultimately save taxpayers billions of dollars over the next several years.

I am pleased to report OPM received an unqualified audit opinion on its FY 2005 consolidated financial statements by the independent public accounting firm of KPMG LLP. For the sixth year in a row, OPM has achieved this important milestone. As you can see in the independent auditor's report, OPM also sufficiently addressed prior year problems and thus no material weakness in internal control over financial reporting was reported for FY 2005. Additionally, OPM received an unqualified audit opinion from the independent auditor on the individual financial statements of the Retirement, Health Benefits and Life Insurance programs.

Looking ahead, to better address future needs and the long-term health of the agency's financial systems, we have contracted with the Bureau of Public Debt's Administrative Resource Center to eventually host OPM's core financial management and procurement systems. In total, these achievements demonstrate OPM's continued commitment to fulfilling its stewardship responsibilities with sound financial management practices.

In accordance with the Reports Consolidation Act of 2000, I have assessed the financial and performance data presented in this Report. Except for the specific data limitations discussed in the report, I can provide reasonable assurance these data are valid, reliable and complete.

The Federal Manager's Financial Integrity Act of 1982 (FMFIA) requires that I, as the Director, provide reasonable assurance OPM's resources are protected from waste, fraud, abuse, and mismanagement. Therefore, I am able to certify with reasonable assurance that, except for the administrative material weaknesses described in this report on noncompliance with the Fair Labor Standards Act (FLSA), OPM is in compliance with the provisions of the FMFIA. OPM has begun the corrective actions

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necessary to bring us into compliance with the FLSA. For instance, our Management Services Division is conducting additional reviews of FLSA determinations and plans to provide additional training for human resource managers and staff. I am also able to report that our material weakness on financial management and reporting processes for the Revolving Fund Programs and Salaries and Expenses accounts, identified in FY 2004, is no longer a material weakness.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires Federal agencies to implement and maintain financial management systems that are in substantial compliance with Federal financial system requirements, Federal accounting standards, and the United States Government Standard General Ledger (SGL) at the transaction level. Based on my review of the auditors' report and other relevant information, I have determined that for FY 2005, OPM complies substantially with all FFMIA requirements for the Retirement, Health Benefits, and Life Insurance Programs. I have also determined that OPM does not comply substantially with the FFMIA requirements for adherence with applicable Federal accounting standards and the application of the SGL for the Revolving Fund Programs and the Salaries and Expenses accounts. As a whole, I have determined that OPM complies substantially with the requirements of the FFMIA for FY 2005

In these early months of my tenure as Director, I have been particularly appreciative of the insights provided to me by the Office of the Inspector General (OIG), which help focus our work on those areas requiring the most attention. In the course of this report, you will find that many of the management challenges cited by the OIG are already being addressed.

As we move forward, OPM will continue to improve its internal management and focus on its traditional programs. These programs include ensuring compliance across Government with Merit Principles, Veterans' preference and other standards, offering effective Federal benefits (retirement, health benefits, life and long term care insurance), and providing timely and thorough Federal investigative services.

One of our most important responsibilities in the next year will be to anticipate the needs of the Federal workforce of the future. From managerial training, benefit options, and flexible working arrangements to contemporary reward structures and succession planning, OPM will play a critical role.

To that end, we will soon focus on reviewing and updating our strategic plan. It is important that we operate under meaningful and clear strategic goals and performance measures to ensure that OPM meets its mission and fully supports and serves the Federal workforce.

I would like to close this message by sharing my enthusiasm about OPM's role. This agency and the level of service we provide to all our customers will only become more essential and critical in the future. With that in mind, we will remain committed to the vital role as our Government's central and independent leader for protecting and supporting the men and women of the Federal workforce.

Sincerely,

Linda M. Springer
Director

A Message *from the* Chief Financial Officer

I am pleased to join Director Springer in presenting the U.S. OPM's FY 2005 PAR. The purpose of the Report is to inform the President, the Congress, and the public about our accomplishments and our stewardship of the taxpayer dollars we used to achieve them. We have been entrusted with over $700 billion in assets that belong to our primary stakeholders — Federal employees, retirees, and their survivors and families. We are very mindful of our responsibility to safeguard these resources from fraud, waste, and mismanagement and to provide a timely and accurate accounting of how we use them.

Through the efforts and teamwork of our program and financial managers, accountants, and actuaries, we continue to be successful in providing timely and useful performance and financial management information. OPM received an unqualified opinion from its independent auditors, KPMG LLP, on our consolidated financial statements (and on the individual financial statements of the Retirement, Health Benefits, and Life Insurance Programs) for the sixth consecutive year, which evidences that the financial statements are fairly presented and free of material misstatement. For FY 2004, KPMG LLP noted a reportable condition that it considered to be a material weakness. I am pleased to be able to report that, during FY 2005, we implemented the necessary enhancements in policies, systems, procedures and processes that allowed us to reduce this material weakness to a reportable condition.

FY 2006 will be a crucial year for OPM's financial management. Foremost will be our work with our business partner, the Administrative Resource Center of the Department of the Treasury's Bureau of the Public Debt, in migrating to its core financial management system. We will ensure that the system meets all financial management requirements and the need for timely and useful financial information by our program managers. Over this same period, we will implement the revised OMB Circular A-123, to improve the effectiveness of our programs and operations by establishing, assessing, and reporting on our internal control over financial reporting. Further, we will continue our efforts to achieve "green" on the PMA Improved Financial Performance and Eliminating Improper Payments initiatives.

I look forward to working with my colleagues to achieve this challenging and important agenda.

Sincerely,

Clarence C. Crawford
Chief Financial Officer
November 15, 2005

Part 1: Introduction to OPM

(Unaudited — See accompanying Independent Auditors' Report)

Description of OPM

The Office of Personnel Management (OPM) is the central human resources agency for the Federal Government and the primary policy agency supporting the President as he carries out his responsibilities for managing the Federal workforce. The Director of OPM serves as the President's principal advisor on issues related to the Federal workforce. OPM maintains the unique American tradition of a merit-based civil service in support of the Executive Branch and proudly upholds the Theodore Roosevelt legacy. OPM leads Federal agencies in the strategic management of their human capital, proposes and implements human resources management policy, and provides agencies with ongoing advice and technical assistance for implementing these policies and initiatives.

Of equal importance, OPM oversees and safeguards the Merit System Principles and veterans' preference, and administers Federal employee benefits programs. OPM also manages the process for personnel security and background checks for suitability and national security clearances. OPM thus plays a vital role in shaping the workforce that serves and protects the Nation.

OPM's leadership in the management of human capital is transforming the way agencies manage the Federal workforce and is enhancing the values of the civil service. New human resources management policies are streamlining the Federal hiring process, decreasing time to hire, and changing how Federal employees are paid and how their job performance is evaluated. New offerings in employee benefits are ensuring that the Federal Government continues to be a competitive and model employer that balances work/life and family needs and offers choices to employees as consumers.

OPM's core values, as set forth in the Merit System Principles, require that Federal employees be hired, promoted, paid, and discharged on the basis of merit and in compliance with law. Its commitment to these principles is undiminished and sustains the role of a strong civil service in the Nation's system of governance.

OPM continues to honor the Government's commitment to its employees by managing the trust funds that support the retirement and insurance benefits they earn, and delivering excellent benefit services and support to these civil servants both during and after their Federal careers.

Location

OPM operates from its headquarters in the Theodore Roosevelt Federal Office Building at 1900 E Street, NW, Washington, D.C., 20415. OPM delivers a variety of products and services with the help of its 4,800 employees in D.C., its field presence in 14 locations across the country, and operating centers in Pittsburgh and Boyers, Pennsylvania and Macon, Georgia. OPM's Website is www.opm.gov.

How to Use This Report

The *FY 2005 PAR* meets a variety of reporting requirements and serves multiple audiences that have varying information needs, interests, and points of view. The report consists of seven parts plus two appendices, which together provide an accurate and thorough accounting of OPM's accomplishments.

OPM has made several improvements in this year's report to more clearly communicate the public value of its accomplishments. For instance, each item discussed in the Highlights includes a paragraph titled "Public Benefits." A similar discussion of public value is included for each annual performance goal reported in Part 4. The report also includes a discussion for each annual performance goal of the remedial actions OPM plans to

"Government likes to begin things — to declare grand new programs and causes. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises."

— George W. Bush, President

take to improve performance in the future in those areas where there are performance shortfalls.

Part 1: Introduction to OPM provides a brief history and overview of the agency and its role within the Executive Branch of the Federal Government.

Part 2: FY 2005 Highlights offers a summary of what OPM has accomplished during the year in terms that are of importance to the American people, rather than organized by strategic goal or to meet other reporting requirements. Thus, members of the general public and stakeholders who wish to quickly understand OPM's major accomplishments and the value these have to the Nation should read this part.

Part 3: Management Discussion and Analysis is a high-level overview of the agency's financial and program performance during FY 2005. Designed to meet the various statutory, regulatory, and other requirements governing Federal agency financial and performance reporting, this part outlines OPM's strategic goals and objectives, and summarizes agency progress toward achieving them during FY 2005, based on key performance data. It also provides a review of OPM's plans for the future. Additionally, Part 3 analyzes OPM's financial statements for FY 2005 and discusses the agency's compliance with legal and regulatory requirements, including the Federal Managers' Financial Integrity Act, Federal Financial Management Improvement Act, Inspector General Act Amendments, and Prompt Payment and Debt Collection Acts.

Part 4: FY 2005 Performance Information presents OPM's performance results in comprehensive detail. It organizes OPM's FY 2005 annual goals according to the strategic goals and objectives described in its Strategic Plan 2002–2007. Here, OPM reports whether it achieved each of its annual goals as demonstrated by specific and targeted performance indicators and other relevant information. The narrative compares planned activities against actual results, explaining why, for each annual goal, performance exceeded or fell short of plans. This level of detail will be useful to members and staff in Congress; resource management offices at the Office of Management and Budget (OMB); auditors and analysts in OPM's Office of the Inspector General (OIG); the Government Accountability Office (GAO); and interested citizens, customers, and other stakeholders. Lastly, Part 4 provides a comprehensive and thorough discussion of the completeness, accuracy, and reliability of the performance data and information disclosed in the report, and describes OPM's data validation and verification process.

Part 5: FY 2005 Financial Information will, along with Part 6, interest anyone who is concerned with tracking OPM's financial performance. This part contains the agency's consolidated financial statements, footnotes, and other required supplementary information.

Part 6: Independent Auditors' Report contains an assessment of OPM's consolidated and individual financial statements for the Retirement, Health Benefits, Life

Insurance programs by an independent certified public accounting firm, KPMG LLP. The audit's objective is to determine whether the financial statements are free of material misstatement and whether serious weaknesses exist in the agency's financial systems, policies, and procedures. The auditors report on their examination of the evidence supporting the amounts and disclosures in OPM's consolidated financial statements, and individual financial statements for the Retirement, Health Benefits, and Life Insurance programs. The auditors also report on their consideration of OPM's and the programs' internal controls over financial reporting, and tests of OPM's and the programs' compliance with certain provisions of applicable laws, regulations, and contracts.

Part 7: Top Management Challenges is a summary of the most significant challenges facing OPM as it moves forward to fulfill its mission, as described by the agency's OIG.

The *appendices* provide an analysis of the sources from which OPM collects it performance data, and a list of the acronyms and abbreviations used in this report.

OPM employees prepared this report. Limited contractor support was used to develop the performance information disclosed herein. Contractor support was used to develop the financial information reported for the health benefits, life insurance, and long-term care insurance programs because much of that information originates with the carriers participating in those programs. In addition, contractor support was used for editing and graphic design, and in printing the report. This report is available on OPM's Website at www.opm.gov/gpra/opmgpra. Printed copies may be obtained by contacting Ronald Walters, U.S. Office of Personnel Management, Center for Strategic Planning, Budget and PMA Scorecard, Room 5474, 1900 E Street, NW, Washington, D.C., 20415.

Part 2: FY 2005 Highlights

(Unaudited — See accompanying Independent Auditors' Report)

During FY 2005, OPM improved Federal human resources management in many ways and identified further steps to take to ensure the Federal workforce has the talent, leadership, and culture of performance needed to carry out the mission of Government — to serve and protect the American people. This report provides a thorough discussion of OPM's accomplishments and future challenges and opportunities as it pursues these outcomes. In particular, a few of the agency's accomplishments represent significant advances toward these outcomes, demonstrate the vital role the strategic management of Federal human capital plays in shaping the workforce we rely on to protect the country, and highlight the value OPM delivers to the public. These most significant successes are briefly described below.

Supporting the Hurricane Relief Effort

In keeping with its responsibilities under the law and the National Response Plan, OPM supported the Government's hurricane relief effort.

OPM assisted Federal agencies in understanding and applying the human resources flexibilities available to them to maintain or quickly restore their ability to operate and provide essential services. OPM also provided pay, benefits, and retirement information by instituting a toll-free telephone number, in addition to the OPM Website and e-mail. OPM radio public service announcements were sent to all the affected hurricane areas with the 1-800 number information.

OPM provided staff to the Federal Emergency Management Administration (FEMA) emergency centers and detailed employees to help staff the emergency centers.

OPM was asked to collect and compile information about Federal employees and annuitants affected by Hurricane Katrina. OPM identified approximately 92,000 civilian employees in the Executive Branch and the United States Postal Service who worked in counties declared as disaster areas. On a daily basis, agencies have been providing updated information on the status of these employees.

OPM assisted FEMA in the expedited and streamlined hiring of 150 Public Information Officers (PIOs) who provide information and assistance to hurricane victims. Using USAJOBS (automated job notice system), USAStaffing (automated application processing system), OPM staff reviewing and interviewing proposed applicants, and OPM investigators conducting suitability clearances, the process was completed for FEMA positions in less than two weeks.

OPM worked through the Chief Human Capital Officers (CHCO) Council in meetings and conference

OPM actions to prepare Federal agencies for Hurricane Katrina

- Advised agencies of the various human resources flexibilities to assist employees affected by the hurricanes and their aftermath;
- Established an emergency leave transfer program to assist affected employees;
- Provided two OPM handbooks addressing (1) pay and leave benefits available to employees prevented from working in an area affected by severe weather emergencies (including advance payments and evacuation payments) and (2) information about insurance and retirement benefits in these circumstances;
- Urged renewed efforts by Federal agencies and departments to increase the use of telework, carpooling, and public transportation by employees to build on President George W. Bush's call for energy conservation Nationwide in the event of disruption of fuel supplies due to Hurricane Katrina.

calls to obtain and give input on agency special needs resulting from the hurricane.

OPM created and continually updated a webpage dedicated to Hurricane Katrina with contact information, health, safety, pay, leave, insurance, and retirement benefits information, and information about how to receive assistance, or to make donations or volunteer assistance. The webpage also contained links to other Federal, state and local organizations providing support and assistance to victims of the hurricane. A spotlight was created on the OPM Website's main page to highlight the Katrina site.

OPM ensured the timely delivery of monthly payments to retired employees living in the affected area, including working with banks to enable direct deposits.

Further, OPM worked closely with the two major Federal payroll centers affected by the hurricanes to re-establish processing of applications for retirement, survivor, and other benefits for people living in the affected areas. Nearly 2,000 retirement claims were processed on a timely basis.

OPM has been working closely with the Federal Executive Boards (FEBs) in New Orleans, Dallas-Fort Worth, and Houston to address workforce issues of FEB member agencies. The FEBs serve as communication and coordination points for Federal agencies in their respective areas.

Transforming Human Resources Systems Across Government

OPM's Strategic Goal I states: "Federal agencies adopt human resources management systems that improve the ability to build successful, high-performance organizations." As a part of achieving this goal, OPM continued its partnership with the DoD and the DHS in the implementation of new personnel systems for these two critical agencies.

OPM designed and coordinated pay and performance provisions of proposed and final regulations for DoD's National Security Personnel System (NSPS). These included a framework for new job evaluation, pay, and performance management systems as well as designing, developing, and implementing NSPS regulations on adverse actions, appeals, and labor relations.

OPM continues to assist with the DHS personnel system. This system creates an environment enhancing recruitment, retention, and development of superior talent by recognizing and rewarding employee contributions will lead to the highest levels of individual performance and accountability. The new performance management system was launched in September 2005, with pay and job classification changes for some employee groups to be implemented in 2006.

Public Benefits: These key national and homeland security agencies, which employ more than half of the Federal workforce, will have flexible and modern personnel systems to enable them to recruit, retain, and develop workforces capable of protecting America from the wide variety of threats confronting it today.

Advancing the President's Management Agenda: The Strategic Management of Human Capital

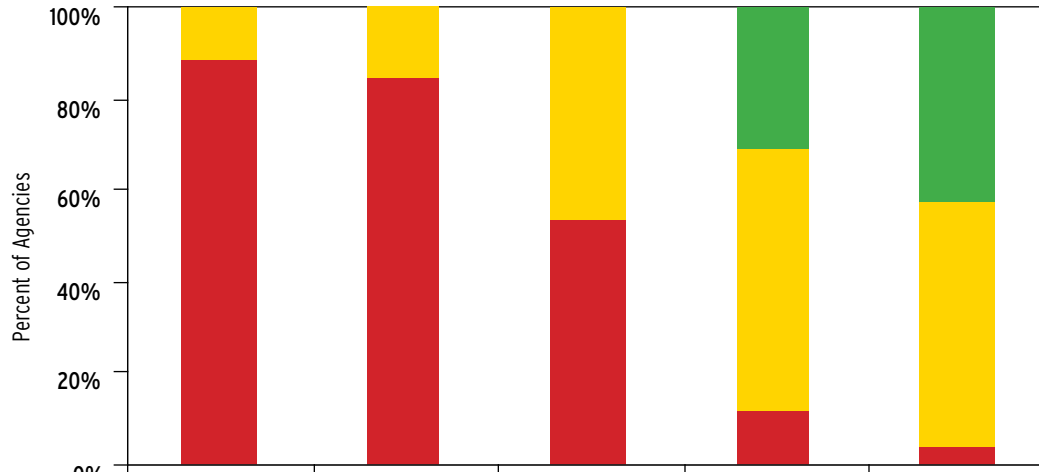
OPM's Strategic Goal II states: "Federal agencies use effective merit-based human capital strategies to create a rewarding work environment that accomplishes the mission." Improving the strategic management of human capital is one of the initiatives in the President's Management Agenda (PMA), as well as the Government's overarching strategy to transform how agencies manage their people.

Under OPM's leadership and through a strategic approach to human capital management, agencies are developing the leadership and knowledge to acquire and nurture the talent within their workforce that their missions require, maintain a culture of performance to attract and keep that talent, and deliver excellent results to the American people.

Using human capital systems, standards, and metrics defined by the Human Capital Assessment and Accountability Framework and the Chief Human Capital Officer Act of 2002, OPM provides the foundation for Federal agency progress in managing its workforce. The successful alignment of the Human Capital Standards for Success with the PMA has provided agencies and OPM a strong yet flexible tool with which they can truly transform organizations.

For each management area of the PMA, an agency earns "green" status when it has successfully adopted all the desired disciplines in the initiative, "yellow" status when it has achieved intermediate levels, and "red" status when an agency has not met intermediate levels.

Strategic Management of Human Capital: PMA Status Score Summary FY 2001–FY 2005



	FY01	FY02	FY03	FY04	FY05
Green	0	0	0	8	11
Yellow	3	4	12	15	14
Red	22	21	14	3	1

Since the start of the PMA in 2001, over 96 percent of agencies have improved their status scores, with 42 percent of all agencies attaining "green" status by the 3rd quarter of FY 2005. Of the 22 agencies that had a "red" status score in FY 2001, only 1 agency still holds the "red" status score. During FY 2005, 5 of the 26 agencies participating in the PMA improved their implementation of these best practices — meaning that all but one agency are at least partially meeting Federal human capital standards. This represents a significant improvement and a long way from the first days of this initiative, when only three agencies were meeting some of the standards.

The bar chart above tracking implementation of the human capital standards among Federal agencies reflects the progress that has been made since 2001.

With OPM's assistance, DHS began a total transformation involving comprehensive changes in human capital emphasizing pay for performance for all employees, labor-management relations, and the creation of shared services.

The Federal workforce is beginning to see changes in the work environment as agencies move toward these standards. Previously, 95 percent of Federal employees worked in agencies where best human capital practices were not being used. Through the combined efforts of OPM and agencies, this proportion has been reduced to less than 1 percent. And, as agencies improve their management of human capital, Federal employees are working for organizations that are closing gaps in mission-critical skills, better recognizing differences in levels of employee performance, developing a cadre of potential leaders, and linking day-to-day work to corporate goals.

Public Benefits: The American people are better served because Federal agencies are managing their workforces to be more responsive to their needs.

Strengthening OPM's Financial Management

To concentrate its resources on its strategic responsibilities and maximize the return on taxpayer dollars, OPM must continually improve the efficiency with which it performs its internal operations. These operations are collectively summed up in a Management Strategy — *OPM creates an environment that fosters the delivery of services to our customers and employees through effective communication and management of human capital, technology, financial resources, and business processes.*

A key aspect of solid internal management is good financial management. During FY 2005, OPM received its sixth consecutive unqualified (i.e., "clean") opinion on its FY 2005 annual consolidated financial statements and addressed the material weakness in OPM's financial management over the Revolving Fund Program and Salaries and Expense accounts.

Specifically, the agency sufficiently resolved the deficiencies that contributed to the material weakness, thereby allowing OPM's independent auditors (KPMG LLP) to reduce the finding to a reportable condition. This included reconciling OPM financial accounts with related records maintained by the Department of the Treasury. Although the assets involved in the Revolving Fund Programs and Salaries and Expenses account represent less than one percent of total agency assets, OPM was determined to implement sound financial management for all of its assets.

Finally, OPM set in motion an initiative that will ensure that the agency continues to maintain a high standard of stewardship over the $700 billion in Federal assets for which it is responsible. OPM selected the Department of the Treasury's Bureau of the Public Debt's ARC to host its core financial management and procurement systems. The ARC is a designated Center of Excellence within the Financial Management Line of Business and will provide OPM with state-of-the-art system support to meet current and future financial management needs. System implementation is expected in FY 2007.

The Financial Management Line of Business was chartered by the OMB to improve the effectiveness and efficiency of the financial management of the Federal Government by identifying opportunities for shared leverage of modernization investments. OPM's decision to seek the use of external financial systems support was based on the need to enhance its financial stewardship; generate complete, accurate, reliable, and timely financial information; reflect current technology; facilitate future upgrades and support; and implement recent Joint Financial Management Improvement Program certified enhancements.

The Administration has made the elimination of improper payments a major focus of the PMA. For OPM, an improper payment occurs when retirement, health benefits, and life insurance benefit payments are made to the incorrect recipient or in the incorrect amount. In accordance with the Improper Payments Information Act of 2002 and OMB Memorandum 03-13, OPM must develop a statistically valid estimate of the extent of improper payments in the retirement, health benefits and life insurance programs and report and assess progress in reducing improper payments on an annual basis. In its "stoplight" PMA scoring system, OMB rated OPM "yellow" for the status of its efforts to eliminate improper payments and "green" for its progress in implementation.

OPM firmly believes that effective internal control is essential for timely and reliable financial reporting and is fundamental to management accountability. Thus, OPM is developing a process for conducting assessments of the agency's internal controls over financial reporting, as required by OMB Circular A-123. During FY 2005, OPM made significant progress in this regard. For instance, the agency sponsored agency-wide training on internal controls for its managers and key program staff and drafted a plan to implement internal controls, including a charter for a Senior Assessment Board to provide management oversight. Also, OPM conducted a series of internal control reviews and implemented an Audit Follow-up and Tracking System to monitor corrective actions for addressing audits findings.

Public Benefits: OPM has taken steps to give the general public, Federal annuitants, and Federal employees full confidence the funds under OPM's control are being properly and appropriately managed and accounted for now and in the future.

Enhancing Competition in Healthcare and Moving Forward in Health Information Technology

OPM has made significant changes in the way Federal benefits are administered, seeking to provide more flexibility and consumer choice for Federal employees and retirees. In 2005, there was an increase in the number of Federal Employees Health Benefits (FEHB) program health plan choices available to enrollees — a total of 249 choices, including nationwide fee-for-service options available to all enrollees and local HMOs available in

most geographic areas. OPM also introduced new cost-efficiency features, such as high-deductible health plans (HDHP) with health savings accounts and health reimbursement arrangements in 2005. Consumers were offered HDHP choices, two of which are administered by nationwide health plans available to all Federal enrollees. Also, under OPM's principles of tough negotiations with FEHB carriers, the average premium increase of 7.9 percent for the 2005 contract term was the first single digit premium increase following a five-year trend of double-digit increases.

In compliance with Executive Order 13335, which established the importance of the development and implementation of electronic medical records, OPM issued a report in July 2004 on the FEHB role in ensuring records are easily and securely transferred between medical providers. While the U.S. Department of Health and Human Services (HHS) has the task of developing and implementing a nationwide interoperable health information technology infrastructure, OPM is pleased to be a part of this endeavor. Consistent with the philosophy of being open to private sector solution and previous policy guiding the FEHB, our efforts will be supported through strong encouragement, not mandates. OPM is taking steps to leverage its significant purchasing power to ensure the FEHB Program is an effective partner in the collaborative effort to achieve the adoption of this new technology infrastructure.

Public Benefits: Under OPM's management, the FEHB Program is widely recognized as a model employer-sponsored health insurance program, providing an attractive benefit for employees while controlling costs in the interest of American taxpayers. OPM accepts its responsibility to promote improvements in health care management and cost controls.

Providing Critical Federal Personnel Security Standards

OPM conducts background investigations for Federal agencies so they can make national security clearance decisions regarding personnel. Following the events of 9/11, the demand for background investigations massively expanded. Moreover, the Defense Authorization Act of 2004 gave OPM the option of accepting a transfer of function and personnel from DoD's DSS. OPM accepted this transfer of function in February 2005, thereby assuming responsibility for DSS's nearly 1,600 employees and related space, equipment, and services. The transfer more than doubles the volume of investigative cases for which OPM is responsible, to approximately 90 percent of the Federal workload in this area. Thus, what was already one of OPM's largest core programs, the Federal Investigative Services Program, became substantially bigger and more critical to the American people.

OPM's investigations program is a critical component for both national security of the public sector and the strategic management of human capital. Operating a successful, efficient personnel security program is critical to OPM achieving its Strategic Goal III: *"Meets the needs of Federal agencies, employees, and annuitants through the delivery of efficient and effective products and services."*

OPM has been challenged with absorbing DSS while also meeting the increasing demand for personnel investigations. The agency has responded by:

- Awarding five additional contracts to private sector firms to conduct investigations.
- Integrating DSS into its existing administrative structure and systems.
- Training DSS personnel in the use of the automated investigations support system prior to their reassignment to OPM.

These actions significantly eased many potential problems often associated with a large-scale transfer and saved DoD approximately $100 million in planned system enhancements.

Despite the increased workload stemming from the transfer of DSS to OPM and the events of 9/11, OPM continues to improve the timeliness of case processing.

Public Benefits: With most of the personnel investigations for the Federal Government under OPM jurisdiction, a single proven performer is overseeing Government personnel security standards. This enables Federal agencies to fill sensitive positions more quickly, and thus provide better and more secure services to the American people.

Improving the Federal Hiring Process

Improving the Federal hiring process continues to be one of OPM's top initiatives. During FY 2005, OPM focused its resources to equip other agencies with tools and tactics to eliminate obstacles to an efficient and effective hiring process. Improved hiring enables agencies to adopt human resources management systems that in turn improve their ability to build successful, high-performance organizations, and gives them specific tools to make their hiring process more efficient and effective.

OPM continued to encourage agencies and jobseekers to use the Federal Career Intern Program, a relatively new program that aims to simplify the recruiting process. The program helps agencies recruit people who have a variety of experiences, academic disciplines, and competencies necessary for the effective analysis and execution of public programs. Since it was first rolled out in 2001, participation in the program has increased 16-fold.

Also, OPM unveiled a new Federal Hiring Flexibilities resource center on its Website, www.opm.gov. The resource center is the first in a series of practical online tools the agency is developing to support and spotlight Federal agency human capital progress. It provides ready access to the full range of hiring flexibilities at one easily accessible website, and will be continuously updated with agency success stories.

OPM also enhanced the USAJOBS Website, increasing both jobseeker satisfaction and website use. Enhancements included significantly upgraded on-line resume builder; a link on the homepage to "HireVetsFirst," a comprehensive career website for hiring military veterans; and an updated link to connect jobseekers to key Department of the Army recruitment efforts for hiring civilians to support critical rebuilding and relief projects in Iraq and Afghanistan. Subsequent USAJOBS customer satisfaction survey results indicate that 91 percent of jobseekers were likely to return to the site and that 88 percent were likely to recommend the site to a friend. USAJOBS received a score of 77 on the American Customer Satisfaction Index (ACSI) e-Government Index, exceeding both the Governmentwide average score (73.1) and the private sector score (73.5). Customer satisfaction with the Federal employment application process rose to 65 percent in July 2005, a 15 percent increase over last year's rating.

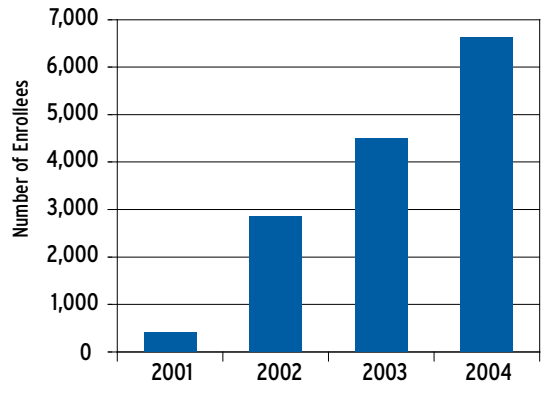
The USAJOBS site continues to attract a growing number of jobseekers. At the end of FY 2005, it had recorded over 177 million visits since August 2003. August 2003 is a significant date for USAJOBS as it represents the date on which we discontinued using the legacy USAJOBS system and began operating the new system in place today. This date is of significant importance as it reflects dramatically increased usage and awareness of Federal employment opportunities by Federal jobseekers. On average, more than 253,000 visitors access USAJOBS each day — a 16 percent increase since last year. During FY 2005, the resumes database more than doubled from 885,655 resumes on file at the end of FY 2004 to over 1.8 million.

These results strongly suggest USAJOBS is responding to the needs of jobseekers interested in Federal employment. The public benefit is that applicants are better able to find vacancies matching their skills and interests, and agencies can select from a larger pool of qualified applicants for each position, thus ensuring new hires are a good fit and better able to provide service to the public.

OPM's focus to improve the hiring process is resulting in agencies implementing and adhering to the Governmentwide hiring models and closing gaps in mission-critical skills, as reflected in overall human capital scorecard results.

Public Benefits: An improved Federal hiring process enables Federal agencies to put the right person in the right job at the right time, thus closing skill gaps in the Federal workforce so it provides better service to the American people.

Participation in Federal Career Intern Program



Improving OPM's Hiring Process

Improving OPM's internal hiring process continued to be one of the agency's top initiatives. OPM applied a 30-day Senior Executive Service (SES) model and a 45-day General Schedule (GS) model to its own staffing and hiring processes before it issued Governmentwide guidance. These models are used within OPM to help keep managers and hiring officials informed and responsive to actions that affect their ability to attract and hire highly qualified talent.

During FY 2005, executive vacancies at OPM were filled in an average of 29 days — less than the established 30-day SES hiring model. The shortest SES recruitment time was 26 days, and the longest was 31 days. The average time to hire GS employees was 40 days, which was also less than the model.

Public Benefits: Because vacancies are filled in a timelier manner, OPM continues to better serve Americans seeking to join the civil service and improve the efficiency with which the agency performs its internal functions. Further, OPM is setting a standard of performance for the other Federal agencies.

In conclusion

FY 2005 was a year of success and accomplishment for OPM, as it continued to directly and positively impact Federal employees, retirees, and their families. We enthusiastically look forward to building upon these achievements in the coming year.