

A Report by a Panel of the

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

for the U.S. Office of Personnel Management

Elevating Human Capital:

*Reframing the U.S. Office of Personnel Management's
Leadership Imperative*



March 2021

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Elevating Human Capital:
*Reframing the U.S. Office of Personnel
Management's Leadership Imperative*

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March 2021

Printed in the United States of America

Academy Project Number: 102253

About the Academy

The National Academy of Public Administration is an independent, nonprofit, and non-partisan organization established in 1967 and chartered by Congress in 1984. It provides expert advice to government leaders in building more effective, efficient, accountable, and transparent organizations. To carry out this mission, the Academy draws on the knowledge and experience of its over 900 Fellows—including former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as prominent scholars, career public administrators, and nonprofit and business executives. The Academy helps public institutions address their most critical governance and management challenges through in-depth studies and analyses, advisory services and technical assistance, congressional testimony, forums and conferences, and online stakeholder engagement. Learn more about the Academy and its work at www.NAPAwash.org.

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Foreword

Setting an agenda for the future of governance, the National Academy of Public Administration launched Grand Challenges in Public Administration in 2019. The public sector's inability to respond quickly and flexibly to the ever-growing challenges and demands confronting government shaped the burning platform for this initiative. If the nation is to address critical issues successfully, all sectors of society must work together, and government must improve its operations to tackle problems in new ways and, importantly, earn the public's trust.

A key foundational element for effective governance—human capital management—is among the twelve Grand Challenges identified. [*Modernize and Reinvigorate the Public Service*](#) sets the stage for addressing the full suite of human capital challenges. As government is increasingly called upon to address complex and interconnected “wicked problems,” the need for leaders, managers, technical experts, and front-line workers in the right jobs, with the right skills, at the right time has never been greater. Unfortunately, federal (and state/local) government struggles today to build a public service workforce that can meet the unique demands of our time. It is limited by rigid and outdated hiring, pay, and performance policies and practices. Public managers and employees also struggle to adapt to the rapidly changing nature of work. As a result, we face a significant risk that in the near future, many public organizations will not have the workforce capacity necessary to achieve their critical missions and provide services to the public.

The Academy has provided insight on human capital principles and practices for decades. Two recent white papers by Academy Panels, [*No Time to Wait, Building a Public Service for the 21st Century, Parts 1 and 2*](#), offered strategies and steps to (1) reform the federal government's human capital system and processes and (2) strengthen agencies' ability to attract, recruit, retain, motivate, pay, and hold accountable a high-performing workforce to meet those challenges. The title of the white papers telegraphs the urgency of actions required—there is “no time to wait.”

This report, *Elevating Human Capital: Reframing the U.S. Office of Personnel Management's Leadership Imperative*, complements the Academy's efforts by highlighting the important role of human capital management in carrying out agency missions and initiatives and solving complex problems. It presents the results of a Congressionally mandated study of the Office's functions and the associated challenges in executing those functions. The study imparts a roadmap of actions needed to raise the attention on, and value of, human capital for addressing critical workforce issues by reframing OPM's mission and affording the agency the foundation needed to lead strategic human capital management government-wide. Timing is fortuitous. With a new Administration and Congress, the report provides an opportunity for a fresh look at changes OPM can make to become both the organization and the government-wide leader it was always meant to be. The new Administration cannot accomplish its ambitious agenda without an effective workforce—an effective OPM is absolutely critical to this undertaking.

The Academy looks forward to working with the Administration and Congressional leaders to implement the Panel's recommendations offered in this report. We believe it provides a roadmap for an important transformation of OPM and federal human capital management—and, in turn, affords a path for building the workforce of the 21st century.

Teresa W. Gerton
President and Chief Executive Officer
National Academy of Public Administration

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Acronyms and Abbreviations

Acronym or Abbreviation	Definition
Academy	National Academy of Public Administration
AI	Artificial Intelligence
ALJ	Administrative Law Judge
CARES	Coronavirus Aid, Relief, and Economic Security Act
CBJ	Congressional Budget Justification
CDO	Chief Data Officer
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CHCO	Chief Human Capital Officer
CIO	Chief Information Officer
CLD	Center for Leadership Development
CLIA	Congressional, Legislative, and Intergovernmental Affairs
CMO	Chief Management Officer
COO	Chief Operating Officer
CPDF	Central Personnel Data File
CSRA	Civil Service Reform Act of 1978
CSRS	Civil Service Retirement System
CXO	Shorthand for a group of chief executive officers (e.g., chief acquisition officer, chief financial officer, and the like)
DCSA	Defense Counterintelligence and Security Agency
DDM	Deputy Director for Management
DEU	Delegated Examining Unit
DHS	Department of Homeland Security
DOD	Department of Defense
EA	Executive Agent
ECAS	Enterprise Cost Accounting System
EEO	Equal Employment Opportunity

EHRI	Employee Human Resources Integration
EO	Executive Order
eOPF	Electronic Official Personnel Folder
ES	Employee Services
ExecSec	Executive Secretariat
FEDSCOPE	Online data visualization and download tool
FEDVIP	Federal Employees Dental and Vision Insurance Program
FEGLI	Federal Employees' Group Life Insurance
FEHB	Federal Employees Health Benefits Program
FERS	Federal Employees Retirement System
FEVS	Federal Employee Viewpoint Survey
FHRI	Federal Human Resources Institute
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act
FIS	Federal Investigative Service
FITARA	Federal Information Technology Acquisition Reform Act
FLTCIP	Federal Long Term Care Insurance Program
FOIA	Freedom of Information Act
FPRAC	Federal Prevailing Rate Advisory Committee
FSAFEDS	Federal Flexible Spending Account Program
FSC	Federal Staffing Center
FSEM	Facilities, Security, and Emergency Management
FTC	Federal Trade Commission
FTE	Full-Time Equivalents
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
GPRAMA	GPRA Modernization Act
GSA	General Services Administration
HCAAF	Human Capital Assessment and Accountability Framework
HCDMM	Human Capital Data Management and Modernization
HCF	Human Capital Framework

HCIS	Human Capital Industry Solutions
HHS	Department of Health and Human Services
HI	Healthcare and Insurance
HR	Human Resources
HRIT	Human Resources Information Technology
HRLOB	Human Resources Line of Business
HRS	Human Resources Solutions
HRSES	Human Resources Strategic and Evaluation Solutions
IDEA	Integrated Digital Experience Act
IT	Information Technology
MGT	Modernizing Government Technology Act
MSAC	Merit System Accountability and Compliance
MSPB	Merit Systems Protection Board
NBIB	National Background Investigations Bureau
NDAA	National Defense Authorization Act
OC	Office of Communications
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OD	Office of the Director
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPIM	Office of Privacy and Information Management
OPM	Office of Personnel Management
OPO	Office of Procurement Operations
OSDBU	Office of Small and Disadvantaged Business Utilization
PAC PMO	Performance Accountability Council Performance Management Office
PIO	Performance Improvement Officer
QSMO	Quality Service Management Organization
RS	Retirement Services

S&E	Salaries and Expenses
SAHRC	Small Agency Human Resources Council
SES	Senior Executive Service
SuitEA	Suitability Executive Agent
TMA	Technology Modernization Act
TMF	Technology Modernization Fund
U.S.C.	United States Code
USSM	Unified Shared Services Management
VERA	Voluntary Early Retirement Authority
WCF	Working Capital Fund

Executive Summary

The nation is experiencing turbulent times and unprecedented challenges that are collectively affecting the national psyche. These range from the COVID-19 pandemic and home-grown, as well as foreign, terrorism threats to widespread social unrest and economic uncertainty and disparity. The Federal Government plays a critical role in responding to these crises. But, to do so effectively requires a workforce with both the capability and capacity to tackle these issues head on. The agency charged with administering the federal civil service and merit systems—setting the policies on hiring, staffing, development, performance, accountability, advancement, and benefits, and providing a host of services in support of that workforce—is the U.S. Office of Personnel Management (OPM).

Over the years, OPM has experienced its own set of challenges in executing its mission. Created by the Civil Service Reform Act of 1978 as an independent establishment within the Executive Branch, OPM was expected to promote an efficient civil service system by delegating personnel management authorities to agencies, operating a robust oversight program to ensure consistency with merit system principles, and promoting innovation through research and demonstration projects as well as targeted improvement efforts. However, a lack of clarity and consensus on OPM’s mission and role, together with funding and staffing constraints and leadership turnover, have stymied OPM’s effectiveness in realizing the vision articulated in the Act. With some exceptions, the agency is viewed as compliance-oriented rather than customer-focused and its credibility and reputation as badly in need of repair. To the extent a consensus exists today, it is that the current federal civil service system is rigid, outdated, and in need of major reform. Federal human resource management and supporting systems are seen as complex, disparate, and difficult to navigate. Almost identical language was used to describe the condition of federal human resource management in the 1970s that led to the passage of the Civil Service Reform Act, demonstrating the difficulty of addressing core problems without a shared vision and support across the Executive Branch and the Congress.

The FY 2020 National Defense Authorization Act (NDAA) directed the OPM Director to contract with the National Academy of Public Administration (the Academy) to conduct an independent study. It tasked the Academy with assessing OPM’s statutory and non-statutory functions, identifying associated challenges, and recommending a course of action to address the challenges including any statutory or regulatory changes needed to implement the recommendations. The catalyst for the study was the Trump Administration’s plan to move OPM’s policy functions to the Office of Management and Budget (OMB) and to merge the remaining functions with the General Services Administration (GSA). The Administration’s business case contended that OPM was not resourced or structured to continue to carry out mission functions and that efficiencies could be gained by the merger. Across OPM’s stakeholder communities, reactions to the proposal were swift with concerns raised that it would abolish OPM as an independent entity and put policy making under the Executive Office of the President. The Academy Panel did not find that the problems or challenges identified in the proposal would be resolved by transferring OPM functions to OMB and GSA.

In conducting this study, the Panel identified a number of cross-cutting challenges affecting OPM’s ability to effectively deliver on its mission to lead federal human capital management.

These include myriad authorities governing federal human capital; lack of sustained leadership and priorities given the recurrent turnover of directors and deputy directors; limited use of data and data analytics to inform policy; outdated information technology engendering enterprise and operational risks; and constrained financial and staffing resources affecting staff capacity and supporting technology and tools. An expanding and increasingly directive role of OMB in human capital management has created tensions (e.g., which agency is in the driver seat for effecting human capital leadership and reforms) and conflicts with the intent of the Civil Service Reform Act that designated OPM as the lead agency for human capital management.

The Panel concluded that meeting the needs of a 21st century workforce will require a reinvigorated focus on strategic human capital management and performance. The need for an independent, enterprise-wide human capital agency and steward of the merit system principles is clear, as is the critical need to rebuild staff capacity, encourage innovation, and adopt a more data-driven, accountable, and forward-looking human capital approach. In addition, human capital management must be elevated. The OPM Director—and human capital as a whole—needs a “seat at the table.” The Director should be *the* principal advisor to the President on human capital, as envisioned in the Civil Service Reform Act, and OPM should be that lead for federal civilian human capital, setting policy, establishing a framework for agencies to manage their workforces, facilitating innovation and the sharing of best practices and lessons learned, and both collecting and using data and data analytics. To execute that role effectively and achieve a strategic vision of elevating and supporting human capital as a strategic priority across the federal enterprise, OPM must reframe its mission, organization, and supporting processes. It must rebuild the agency’s credibility and staff capacity—and it must reorient its internal culture from a predominant compliance orientation to a more customer-focused, strategic, and forward-looking mindset. These actions will require the support of the President, Congress, and federal agencies.

With the proliferation of excepted authorities under title 5 and other sections of the U.S. Code, OPM’s current mission and focus on title 5 is clearly not sufficient to address the complex workforce issues confronting the federal government. The Panel believes that a more coherent and cohesive government-wide approach is needed—one that affords agencies flexibilities for tailoring to meet their more unique requirements while ensuring adherence to merit system principles through effective oversight.

The Panel offers a number of recommendations with objectives to highlight the intended outcome that would be achieved by implementing the recommendations. Successful implementation should yield the following results:

- Human capital is recognized and supported as a strategic priority across government by the Administration, the Congress, and federal agencies.
- OPM’s role is reaffirmed and strengthened as the leader for strategic human capital management government-wide.
- OPM’s approach to human capital management evolves from predominantly compliance-oriented to customer-focused, value-added, data-driven and forward-looking, encouraging innovation and sharing of best practices.

- OPM’s technology platforms are modernized, affording secure and efficient access to human capital data and systems supporting government-wide human capital management.

Panel Recommendations

The recommendations below, with additional action steps, appear in Sections 1 through 3.

Section 1: OPM Role, Leadership, and Mission

Objective: Reaffirm and broaden OPM’s role as an independent entity and leader for federal civilian human capital management and reinvigorate strategic human capital management.

1.1 Congress should amend title 5, section 1101. (5 USC 1101), Office of Personnel Management, to clarify and redefine the role and mission of OPM as the federal government’s enterprise-wide, independent human capital agency and steward of the merit system for ***all*** civilian personnel systems and employees, responsible for providing government-wide leadership in strategic human capital management.

1.2 Congress should amend title 5, section 1102. (5 USC 1102), Director, Deputy Director; Associate Directors to

- Add a qualifications requirement to the position of OPM Director for demonstrated leadership experience and human capital management expertise (Section 1102 (a)).
- Add a statutory requirement for a career chief management officer, with responsibilities clearly established to assist the Director and Deputy Director in achieving Administration priorities, while providing continuity and strengthening focus on internal agency management to deliver on mission. (Section 1102 (b)).

1.3 Congress should amend Pub. L. 107-296, title XIII, section 1303, Chief Human Capital Officers Council, to add a rotating vice-chair from among the CHCO membership.

Objective: Recognize the criticality of the federal workforce as the Government’s most important asset for achieving agency missions and focus Congressional attention on federal workforce issues of both today and importantly, the future.

1.4 Congress should reestablish civil service subcommittees in the House and Senate oversight committees to (1) address the state of the federal workforce and federal human capital management; (2) promote government-wide policy and legislation in support of the workforce and OPM’s role as the lead for federal civilian human capital management; and (3) advance federal human capital management reforms.

Objective: Refocus OPM to make it a state-of-the-art human capital organization capable of elevating and supporting human capital as a strategic priority across the federal enterprise and address the needs of a 21st century federal workforce.

- 1.5 OPM should (1) redefine the OPM mission statement and restructure the organization to effectively and efficiently execute the reframed mission priorities and (2) restore the agency's reputation for human capital leadership, expertise, and service by redirecting the internal culture and rebuilding internal staff capacity.
- 1.6 OPM should establish a human capital advisory committee comprising representatives of public, nonprofit (including academia), and private sector organizations to advise OPM on emerging best practices and innovation in human capital management and to serve as a sounding board for agency initiatives.

Section 2: Core Mission Functions and Programs

Objective: Reorient OPM's policy development approach toward a proactive, systematic model that streamlines the federal human capital management system.

- 2.1 OPM should work with agency stakeholders to review federal human capital regulations and guidance to identify needed changes with attention to streamlining the human capital management system, clarifying requirements, reducing administrative burden, employing a more decentralized and risk-based approach, and encouraging innovation.
- 2.2 OPM should develop policy guidance and information sharing practices that focus on strategic human capital management, innovation, and the identification of best practices and lessons learned.
- 2.3 OPM should adopt a proactive, systematic, and inclusive approach to developing government-wide human capital policies that effectively address current and emerging workforce issues and reflect the needs of diverse stakeholder groups.

Objective: Improve OPM's oversight programs and accelerate the shift from a strictly compliance-oriented approach to a more strategic, risk-based framework.

- 2.4 Congress should review and amend statutory mandates requiring OPM to conduct transactional approval and oversight and, to the maximum extent practical, authorize OPM to develop an alternative approach to carrying out its transactional approval and oversight responsibilities.
- 2.5 OPM should adopt a more decentralized and risk-based approach to executing its transactional approval and oversight responsibilities by delegating, to the maximum extent possible, decision-making authorities to agencies and conducting cyclical reviews to ensure compliance with relevant laws, regulations, and policy guidance.
- 2.6 OPM should modernize its approach to performing broad programmatic evaluations by expanding its efforts to conduct strategic and performance-oriented evaluations, focusing on government-wide, systemic issues, and providing forward-looking recommendations.

Objective: Promote OPM's role in strategic human capital management by assisting agencies in effectively implementing federal human capital laws, regulations, and policy guidance, and enhancing federal human capital staff training.

- 2.7 OPM should provide no-fee technical assistance to agencies for policy interpretation, support, and related training, such as delegated examining training, to the extent consistent with OPM appropriations. (Note: OPM will require additional funding to provide no-fee technical training and assistance.)

2.8 OPM should enhance the competencies and capabilities of the federal human capital workforce by prioritizing and accelerating its efforts to upgrade the human capital competency model, institute a certificate program for credentialing staff, and expand training offerings for human capital professionals with a focus on customer service and problem solving.

Objective: Strengthen OPM's ability to steer efforts that encourage and sustain innovation in federal human capital management.

2.9 OPM should expand and prioritize its role in conducting human capital management research and promoting innovative management of the federal workforce.

Section 3: Supporting Functions Enabling Mission Execution

Objective: Enable and realize the untapped potential of federal human capital data and data analytics as key drivers and assets in strategic human capital management.

3.1 OPM should initiate efforts to (1) improve the quality of the federal human capital data it collects, provide an integrated view of the federal workforce, and standardize the functional, operational, and data components of the human capital management lifecycle, and (2) broaden the availability and accessibility of the data it provides to agencies and the public, in addition to providing tools to help agencies with data collection, analysis, and reporting.

3.2 OPM should establish a systematic approach and process to measure and track the state and capacity of the federal workforce.

Objective: Transform OPM's human capital technology platforms and enhance the experience of OPM's customers and employees.

3.3 OPM should prioritize IT modernization and seek funding from Congress to modernize the eOPF and develop an employee digital record, upgrade technology systems supporting the federal retirement programs, enable a modern human capital data and analytics platform, and transform its website to be both user-centric and user-friendly.

3.4 OPM should work with OMB and Congress to develop a clear and agreed-to plan to transition and sunset its ongoing IT operational support to the Defense Counterintelligence and Security Agency (DCSA), based on an assessment of the impact on OPM's IT budget and enterprise priorities.

Objective: Enable more strategic and sustainable funding to support OPM's mission performance.

3.5 OPM should expand its ongoing re-baselining initiative to determine the cost of current OPM operations, assess the cost implications of changes recommended in this report (including provision of core human capital services currently offered on a fee-for-service basis), and identify opportunities to reduce costs and reallocate resources to accomplish mission responsibilities more effectively and efficiently.

3.6 OPM should continue its efforts to strengthen capacity to track staff costs and implement strategic workforce planning to inform more rigorous budget justifications and manage resources more efficiently and effectively.

3.7 Congress should provide dedicated funding to be used for specific, major OPM IT modernization projects contingent on the development of an agreed-upon roadmap based on sound IT investment planning and control processes.

3.8 Congress should provide authority to OPM to establish an IT Working Capital Fund, contingent on the completion of an enterprise-wide IT requirements and cost analysis to enable a more flexible and accountable internal process for funding IT operations and maintenance.

Introduction

The U.S. Office of Personnel Management (OPM) was created by the Civil Service Reform Act of 1978 to lead and serve as the chief human resource (HR) and personnel policy management agency for the Federal Government. To carry out that role, OPM defines its mission as providing HR leadership and support to federal agencies in “enterprise human resources management by delivering policies and services to achieve a trusted and effective civilian workforce.” OPM develops government-wide HR policies and programs, directs a variety of HR services and products, oversees a merit-based and inclusive hiring process, administers retirement benefits, manages healthcare and insurance programs, and provides a variety of vetting services such as suitability determinations.¹ The agency’s key functions are executed by program offices organized around the broad functional categories of human capital management leadership (policy, oversight, and services), benefits, and vetting. A description of those offices may be found in Appendix C.

The Civil Service Reform Act (CSRA) codified in title 5 establishes OPM’s core functions and that of the Director in executing those functions.² These include:

- developing and issuing government-wide policy and regulations to promote an efficient civilian civil service.
- executing, administering, and enforcing the civil service rules and laws governing civil service and other activities of the Office including retirement and classification activities.
- advising the President on actions to promote an efficient civil service and systematic application of merit system principles, including recommending policies on the selection, promotion, transfer, performance, pay, conditions of service, tenure, and separation of employees.
- conducting research and studies to assure improvements in personnel management and recommending actions to promote an efficient civil service.
- delegating authority vested in the Director, in whole or in part, for personnel management functions including authority for competitive examinations (except administrative law judges)³ to heads of agencies in the executive branch and setting standards that apply to delegated activities.
- establishing and maintaining an oversight program to ensure delegated authorities are in accordance with merit system principles.

The CSRA also established the Senior Executive Service and merit pay; however, the latter merit pay provision was subsequently rescinded. Many statutory provisions that pre-date the CSRA, such as the Pendleton Act of 1883 which established the principle that federal government positions should be awarded on the basis of merit and employees selected through competitive

1. “About Our Agency,” U.S. Office of Personnel Management, <https://www.opm.gov/about-us/>.

2. 5 U.S.C. §§ 1101-1105

3. Exec. Order No. 13843, 83 Fed. Reg. 32755. (July 10, 2018). EO 13843 created a new Schedule E, removing administrative law judges from the competitive service.

examinations,⁴ as well as later enactments such as veterans' preference, were conveyed to OPM's purview.⁵

Over the years, legislation and executive orders have provided additional authorities and direction. Many of the authorities are quite broad entrusting the implementation to OPM's interpretation through regulations requiring public notice and other forms of guidance such as memoranda; others are more prescriptive. For example, statutes covering retirement programs and employee pay and leave set forth fairly explicit requirements. Within mandated authorities such as establishing policies—most commonly expressed as "OPM shall..."—the authority often provides broad discretion to OPM in developing the rules for agencies' execution of human capital management (i.e., the statute states that OPM shall establish civil service rules but does not explicitly direct what should be included). A plethora of authorities, some provided directly to agencies, govern the federal workforce and human capital management today, engendering complexities and disparate systems.

OPM policies, programs, and services currently support 2.1 million civilian employees, 5 million retirees and their survivors, and over 8 million employees, retirees, and their families in health care/insurance coverage.⁶ Over the years, stakeholders and numerous studies, white papers, and articles have highlighted long-standing problems in federal human resource management noting that the Federal Government does not do an effective job attracting, hiring, managing, and retaining a skilled workforce and stressing the need to modernize federal HR. Strategic human capital has held a place on the Government Accountability Office's (GAO's) High Risk List since 2001. GAO subsequently refocused the risk in 2011 to addressing existing mission-critical skill gaps and using workforce analytics to predict and mitigate future gaps so agencies can effectively carry out their missions. On March 2, 2021, GAO published the latest update to the High Risk list, pointing out that federal talent management capabilities have regressed over the past few years and highlighting leadership commitment as a key issue.⁷

In June 2018, the Trump Administration published a plan—*Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*—that included the recommendation to reorganize OPM, moving workforce policy to the Office of Management and Budget (OMB) and merging operational programs and units with the General Services Administration (GSA). The rationale cited for this significant realignment of federal civilian human resource management was that OPM was “not structured or resourced sufficiently to maintain its mission in a sustainable, secure and financial sustainable way.”⁸ Two major OPM data breaches identified in 2015, the first potentially compromising the personal information of more 4.2 million former and current federal employees and the second exposing background investigation records of 21.5 million current, former and prospective Federal employees and contractors,⁹ together with the subsequent move of the National Background Investigations

4. U.S. National Archives & Records Administration, *Pendleton Act (1883)*, www.ourdocuments.gov.

5. Pendleton Act (22 Stat.43); Veterans Preference Act of 1944 (P.L. 539, 58 Stat. 387) and subsequent enactments.

6. U.S. Office of Personnel Management, *OPM Strategic Plan Fiscal Years 2018-2022*, (February 2018).

7. U.S. Government Accountability Office, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, GAO-21-119SP (March 2021)

8. Executive Office of the President, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*, (June 2018).

9. Congressional Research Service, *Cyber Intrusion into the U.S. Office of Personnel Management: In Brief*, Report #R44111, (July 17, 2015).

Bureau (NBIB) to the Department of Defense (DOD), were highlighted to support the plan. The document noted that “structural issues and NBIB’s move affecting 80 percent of OPM’s revolving fund resources undercut the agency’s ability to operate and maintain systems supporting the federal civilian workforce.” Subsequently, the Administration developed a legislative proposal to carry out the reorganization and merger. The proposal generated copious concerns among stakeholders that it would abolish OPM as an independent establishment as expressly codified in the CSRA and raised alarms about the shifting of OPM’s policy and oversight as a guardian of merit system principles to the Executive Office of the President, potentially politicizing the federal workforce.

In response to the legislative proposal, the National Defense Authorization Act (NDAA) for FY 2020 required the OPM Director to contract with the National Academy of Public Administration (the Academy) to conduct an independent study that addresses a series of questions surrounding OPM’s functions and responsibilities. No transfer of OPM functions to GSA or the Executive Office of the President could take place until at least 180 days after the Academy’s report is submitted to the appropriate Congressional committees and any required legislation is enacted. However, mid-way through the project, the Acting OPM Director at the time informed the Academy that the Trump Administration was no longer pursuing the merger and that OPM looked forward to the Academy’s analysis of the agency’s functions, identification of challenges, and recommended actions to address the challenges.

Study Scope

The FY 2020 NDAA defined a specific set of tasks to address OPM’s authorities, functions, and challenges. They include:

- A. the statutory mandates assigned to OPM and the challenges associated with the Office’s execution of those mandates.
- B. the non-statutory functions, responsibilities, authorities, services, systems, and programs performed or executed by OPM; the Office’s justification for carrying out such functions, responsibilities, authorities, services, systems, and programs; and the challenges associated with the Office’s execution of same.
- C. the means, options, and recommended course of actions for addressing the challenges identified, including feasibility, costs, and benefits.
- D. a timetable for the implementation of identified options and recommendations.
- E. the statutory or regulatory changes needed to execute the recommendations.
- F. the methods for engaging with other federal entities potentially affected by recommendations involving change to OPM’s structure, functions, responsibilities, and authorities.
- G. the views of identified stakeholders, including federal and non-federal entities or organizations representing customers and beneficiaries.
- H. such matters that the Director of OPM may prescribe.

Mid-way through the project, the Acting OPM Director at the time added to the tasking an analysis of the legislative intent of the CSRA and the role of OMB, identifying areas of overlap or conflict. The Acting Director was particularly interested in how OPM could become more efficient and

effective as a standalone HR agency supporting federal agencies and the federal civilian workforce.

Results in Brief

The federal government is the largest employer in the United States. A skilled workforce is crucial to solving complex problems and executing on policy. While references to the workforce being the federal government's most important asset are common, actions to support this statement are limited, at best.

The current federal civil service system is widely recognized as rigid, outdated and in need of major reform. Despite efforts to address these issues, Federal human resource management and supporting systems remain complex, disparate, and difficult to navigate. The need for greater flexibilities to hire (and fire) has led to a proliferation of exceptions from the competitive service and afforded some much-needed flexibilities, but at the same time, engendered fragmentation of the civil service and increased complexities.

A number of cross-cutting challenges affect OPM's ability to effectively deliver on its mission to lead federal human capital management. These include (1) myriad authorities (statutes and executive orders) governing federal human capital; (2) continual churn of leadership and priorities within OPM, together with organizational silos; (3) limited use of data and data analytics to inform policy/decisions; (4) outdated information technology with attendant enterprise and operational risks; and (5) constrained financial and staffing resources affecting staff capacity and supporting technology and tools to effectively and efficiently carry out current functions. In addition, a critical overarching challenge stymies OPM's ability to exert the necessary leadership in federal civilian human resources—that is, the lack of a consistent government-wide vision of, and support for, federal human capital management. OMB's expanding role in human capital has also weakened OPM's leadership role. While a skilled workforce is critical to mission execution, human capital management continues to be viewed as an administrative mission support function on par with property, acquisition, and information technology and not accorded consistent support. That view of human capital management played out with the merger proposal and the planned move of most OPM functions to GSA. The proposed merger and move of policy functions to OMB created overwhelming uncertainty of the future among staff across the agency and, as a result, was highly disruptive, impacting agency morale, turnover, and recruitment.

OPM has weathered substantial turnover at the top, as well as throughout the Agency, in both the political and career ranks. Lack of sustained leadership has a significant impact on OPM's internal operations and employee morale and on external relationships and limits the Agency's ability to address long-term human capital management challenges.

Meeting the needs of a 21st century workforce will require a reinvigorated focus on strategic human capital management and performance. Today, widespread recognition exists across stakeholder communities of the need for an independent, enterprise-wide human capital agency and a steward of the merit system principles, along with the need to rebuild capacity, encourage innovation and become more strategic. OPM should be the lead for federal civilian human capital, setting policy, establishing a framework for agencies to manage their workforces, facilitating innovation and the sharing of best practices and lessons learned, and collecting/using data and data analytics.

Human capital needs to be elevated and have a “seat at the table.” The OPM director should be **the** principal advisor to the President on human capital, as envisioned in the Civil Service Reform Act. The OPM director should work in concert with OMB on Administration priorities—but as the clear lead on human capital matters. Making this construct real requires commitment and support from both the Administration and the Congress. It will also require a concerted effort to improve the capacity of the human resource community government-wide; training and upskilling are essential. Human capital should be a priority nonpartisan concern. To achieve the strategic vision of elevating and supporting human capital as a strategic priority across the federal enterprise, an appropriately resourced OPM will need to pivot and refresh its organization and operating model.

Methodology

The Academy assembled a five-member Panel of Fellows to direct and oversee this study. The Panel includes experts who have extensive expertise and experience in the areas of federal human capital systems, labor management relations, technology modernization, organizational analysis and transformation, change management, stakeholder engagement, and customer experience. Panel and study team members, along with brief biological sketches, may be found in Appendix A.

The study team conducted the assessment based on a gap analysis framework, which entailed developing a sound understanding of the current statutory and non-statutory mandates and functions of OPM, the challenges associated with OPM’s execution of these functions, a vision for how the federal government and stakeholders both within and outside the government could be best served, and coherent actions to achieve that vision within a realistic level of resources. As background research, the study team collected and reviewed a wide variety of documents relating to OPM’s mission, functions, processes and procedures, relevant federal laws, executive orders, and regulations, and previous reports and reviews. The team also reviewed records of hearings and other documents that shed light on past congressional activity with respect to OPM’s responsibilities, functions, and structure. In addition, the study team conducted a broad literature search on human capital management, in general, and best practices.

Reviewing OPM’s statutory and non-statutory functions proved arduous, given the expanse of authorities accorded to OPM through statutes, executive orders, and presidential memoranda. OPM does not maintain a central list of relevant statutes and executive orders or associated regulations developed in response to the authorities. The study team identified the mandated and nonmandated authorities and assessed the degree of specificity in the authorizing language, i.e., how prescriptive is the language limiting OPM’s flexibility in developing implementing regulations and guidance or conversely, how broad in providing OPM considerable discretion in its interpretation. Identifying the level of specificity in OPM’s authorities proved complicated given nuances in the statutory or executive order language. Generally, the term, “shall,” is used to denote a mandatory obligation and “may” to denote discretion in translating the authority to regulatory guidance or other action. Often, the authority will include both specific requirements set in the law (or executive order) with other provisions delineated but not specifically tasked, essentially setting parameters for implementing guidance. The framing of the language significantly increases the complexity of the statutory landscape governing OPM’s roles and

responsibilities.¹⁰ All functions executed by OPM track to statutory or executive order authorities (which also may have a statutory foundation)—that is, Congress or the President has directed OPM to perform a range of human capital management functions.

In terms of primary research, the study team gathered information through structured interviews with OPM officials and key stakeholders and experts, including officials from OMB and GSA; chief human capital officers (CHCOs) and HR directors of federal agencies; representatives of oversight entities, including GAO and the OPM Office of Inspector General; majority and minority staff on both House and Senate Oversight and Appropriations committees; officials representing unions and employee associations; and representatives from academia and good government organizations. All interviews were conducted on a not-for-attribution basis. Because of COVID-19, all interviews and discussions were conducted virtually. A complete list of interviews appears in Appendix B. The study team also reviewed numerous documents provided by OPM in response to requests for information.

The Academy study team also conducted an online survey, HR Leadership Survey, distributed to CHCOs, deputy CHCOs, and agency human resource directors to obtain a broad set of perspectives on OPM, augmenting the interviews and conversations the team had with relevant stakeholders to provide an additional data point. While the number of survey responses was lower than anticipated, responses from those who did participate were consistent with what the study team heard in interviews with HR stakeholders.

Evaluation of the civil service system and specific provisions such as hiring, compensation and classification, performance, or benefits were outside the scope of this study. Audit reports, research studies/evaluations, and white papers addressing those areas are plentiful, highlighting key issues and offering a range of potential actions to address the issues. Also outside the study scope was a detailed organizational and workforce analysis.

Organization of the Report

This report presents the Panel’s key findings and recommendations based on document reviews and interviews. The report is organized as follows:

Introduction

Section 1: OPM Role, Leadership, and Mission

Section 2: OPM Core Mission Functions and Programs

Section 3: Supporting Functions Enabling Mission Execution

Appendices

10. Plain Language Action and Information Network, *Federal Plain Language Guidelines*, (May 2011), 25-26. The use of “shall” has been of great debate and resulted the Federal Government’s Plain Language initiatives which directed the use of “must” rather than “shall.” However, widespread use of “shall” continues today.)

Section 1: OPM Role, Leadership, and Mission

The Civil Service Reform Act and OPM—Unrealized Expectations

The Civil Service Reform Act (CSRA) of 1978 was the last comprehensive effort reforming federal human resources (HR) management.¹¹ By creating the Office of Personnel Management (OPM) as an “independent establishment” and central, government-wide HR management agency for the civilian workforce, it demonstrated priority attention to HR. A chief architect of the Act and the first OPM Director, Alan K. (“Scotty”) Campbell, asserted that enactment of the Act signified that personnel management had taken its place among the top priorities of the federal government.¹² While the CSRA did not address pressing, but more thorny issues of classification or pay, it did place an emphasis on HR management and sought to make the federal HR system more modern and responsive.

The Act established the OPM director and deputy director as Senate-confirmed positions and designated the director position as a 4-year term appointment, not coterminous with an administration but removal by the President at will. Qualification requirements, such as experience in HR or leading large and complex organizations, were not specified for appointment to the OPM director position.

By statute, the OPM director is charged with “executing, administering, and enforcing the civil service rules and regulations of the President and the Office and the laws governing the civil service” and other activities including retirement and classification.¹³ Importantly, the statute delineates the director’s role—to aid the President in preparing civil service rules and to advise the President on actions to promote an efficient civil service system and a systematic application of merit system principles. It specifies certain actions for OPM including delegating personnel management authorities to federal agencies; operating an oversight program to ensure consistency with merit system principles; and promoting research, demonstration projects, and improvement efforts in such areas as recruitment, retention, and performance management, among others.

In creating OPM, the Act established a dual and at times conflicting role for the agency to both advocate for and execute on administration priorities and goals, while simultaneously ensuring protection of merit system principles as codified in the CSRA.¹⁴ Successful execution of authorities, policies, and programs requires balancing divergent interests and requires appropriate support and resources. How this condition has played out and its impact on federal human resource management has been the subject of numerous books, studies, and white papers

11. The Civil Service Reform Act abolished the Civil Service Commission, the predecessor civilian personnel agency. In its place, the Act created three independent agencies: Office of Personnel Management, Merit Systems Protection Board (to oversee Federal merit systems and adjudicate on merit matters), and Federal Labor Relations Authority (to oversee Federal labor-management relations).

12. Alan K. Campbell, “Civil Service Reform: A New Commitment,” *Public Administration Review* 38, no. 3 (Mar. – Apr. 1978): 99-103.

13. Civil Service Reform Act, Pub. L. No. 95-452, 92 Stat. 1111, October 13, 1978.

14. U.S. Merit Systems Protection Board, *The U.S. Office of Personnel Management in Retrospect: Achievements and Challenges After Two Decades*, (December 2001), 2, 14.

(for example, *The Promise and Paradox of Civil Service Reform*)¹⁵ as well as oversight reviews by the Merit Systems Protection Board (MSPB) and the Government Accountability Office (GAO).

Events from the agency's first two decades illustrate the history and long-standing challenges experienced by OPM in executing its role as the Federal Government's leader in human resource management. A change in administration not long after implementation of the Act significantly reoriented the agency's direction, recentralizing some authorities and abolishing the directorate overseeing research, as well as other research and experimentation efforts in areas such as recruitment, testing, productivity improvement, and evaluation—and ushered in both staffing and budget cuts. The cuts negatively affected staff capacity and competence with the loss of technical experts and decline in staff services and damaged OPM's reputation as the HR institution, as documented by MSPB and GAO.¹⁶ Attention to research was restored during the following administration, in addition to efforts to rebuild competence and leadership. In a 1989 report, GAO concluded that how OPM implemented its leadership role was rooted in the changing philosophies and environment at OPM, noting that the first three directors had fundamentally different interpretations of OPM's role and different operating philosophies on OPM's functional responsibilities. Their divergent views resulted in significant shifts in focus (e.g., delegation of authorities versus centralization) and priorities.¹⁷ During the following decade, Reinventing Government initiatives, in turn, altered OPM's culture and approach for technical assistance and working with agencies, and moved OPM to a fee-for-service model as a key funding mechanism. It also led to major government-wide budget and staffing reductions in mission support services, affecting OPM's capacity and that of federal agency HR offices, as well.

Throughout its history, OPM has routinely experienced shifts in direction and support—some especially significant and impactful. OPM's overall funding and staffing challenges have affected its ability to deliver on mission as repeatedly documented by MSPB and the OPM Office of Inspector General (OIG). The lack of clarity and consensus on OPM's mission and role has hindered the agency's ability to carry out the vision conveyed in the Civil Service Reform Act and exert the leadership necessary to tackle complex federal human capital management issues from a government-wide and forward-looking perspective. These conditions persist today as most recently evidenced in the Trump Administration's proposal to terminate its existence as an independent establishment by moving policy to the Office of Management and Budget (OMB) and merging remaining functions with the General Services Administration (GSA).

Congressional support for personnel/human capital management has also varied over the years with periods of concerted interest and actions, such as in 2002 with the passage of the Chief Human Capital Officers Act (CHCO) to strengthen federal HR, to occasions of intense oversight of administration actions or proposed legislation, such as the proposal to merge OPM with GSA. (The lack of appropriations hearings on OPM or insight into federal HR spending, as a whole, is

15. Patricia W. Ingraham and David H. Rosenbloom, ed., *The Promise and Paradox of Civil Service Reform*, (Pittsburgh: University of Pittsburgh Press, 1992).

16. MSPB, *The U.S. Office of Personnel Management in Retrospect*; U.S. Government Accountability Office, *Retrenchment and Redirection at the Office of Personnel Management*, GAO/GGD-83-95, (August 22, 1983); U.S. Government Accountability Office, *Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges*, GAO/GGD-89-19, (January 1989)

17. U.S. Government Accountability Office, *Managing Human Resources*, GAO/GGD-89-19, 38.

discussed in Section 3.) Stakeholders interviewed repeatedly expressed concern for the lack today—with a few exceptions—of Congressional champions for federal HR.

OPM Leadership Role Weakened by Expanding Role of OMB in Human Capital Management

While the CSRA clearly established the OPM director as the advisor to the President on human resource management, that role has been diluted over the years with the creation (through the Chief Financial Officer (CFO) Act) and subsequent expanding role and influence of the OMB Deputy Director for Management. MSPB has noted that Congress intended OPM to be a proactive central personnel management agency, providing leadership, guidance and oversight, with OPM performing the role for the President in personnel management that OMB does for financial management.¹⁸ Through legislation including the Government Performance and Results Act (GPRA) and GPRA Modernization Act, together with executive orders, OMB's role has continued to expand. In recent years, executive orders make clear OPM's need to seek review or obtain approval from OMB on presidentially directed actions. In the case of Executive Order 13932 on the assessment of federal job candidates, OPM must consult with both the OMB Director and head of the Domestic Policy Council when reviewing classification and qualification standards. Rather than being partners in government-wide federal HR management, the OPM director role is often more subordinate than of equal stature. In addition, since 2015, there have been three instances where the OMB Deputy Director for Management (DDM) also served as the OPM Director.

Most stakeholders the study team spoke with believe that OMB has a role to play in HR, working in partnership with OPM to carry out presidential priorities. However, there was also an undercurrent in these conversations that OMB was trying to supplant OPM's authority and role as the lead advisor to the President for human capital matters and concern expressed about the growth and reach of OMB's role in recent years. Some noted that OMB tended to be more innovative than OPM; others noted that OMB staff have limited or no direct experience or depth in human capital management. Virtually all believe that boundaries are necessary to ensure OPM's independence from the Executive Office of the President and the dual-hatted roles (whether temporary or not) where the OMB Deputy Director for Management is functionally also the OPM Director should be eliminated. They see each role as important with its own set of responsibilities which should not be diluted—but, most importantly, the OPM director position should be independent of the OMB DDM position.

The issue of an **independent** OPM markedly aroused passion among stakeholders interviewed, as they expressed serious concerns about the merger proposal and in particular, the move of policy to OMB. The need for an independent government-wide human capital agency with clear guard rails—a “firewall”—between the agency and the Executive Office of the President to protect a merit-based civil service system was a consistent theme. An underlying apprehension was concern regarding political influence on the federal civil service. Such fears appeared to come to fruition, in part, when on October 21, 2020, the Trump Administration issued Executive Order 13957 on “Creating a Schedule F Excepted Service.” The new excepted service classification was designed to remove identified career staff in GS-13-15 positions in “policy-making, policy determining, or

18. U.S. Merit Systems Protection Board, *U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment*, (June 1989).

policy advocating positions” from the career civil service, along with the protections afforded on adverse actions and competitive selection. Agencies were to identify staff in those positions to convert and send the lists to OPM by January 19, 2021. As of that date, only OMB was reportedly in the process of implementing the executive order, moving 88 percent of its staff (425) from career positions into Schedule F. However, one of the first human resource-related acts undertaken by the new Administration on January 22, 2020 was an executive order rescinding EO 13957. In addition, legislation (HR 302) was introduced in the House of Representatives to prohibit excepted service classifications created after September 30, 2020 and to prevent the creation of any new excepted service outside the merit-based civil service system without Congressional approval.

Need for an Independent Government-wide Human Resource Agency Affirmed

OPM was created in statute as an “independent establishment;” however, a common, government-wide definition of independent establishment or independent agency does not exist. Definitions are provided by Congress in enabling legislation for specific agencies. For example, a statute may define the degree of autonomy from the President by setting forth a term appointment for the executive leader or establishing limits as to how that person can be removed (e.g., for cause as opposed to at will). The conference report accompanying the Civil Service Reform Act confirms that OPM was expressly established as independent from the Executive Office of the President, with a 4-year term appointment for the director set in statute. The President may remove a director, however, at will.

While stakeholders the study team spoke with had varying opinions on the shape and form of the agency, they affirmed the need for a central, independent human resource management agency, with merit system principles as the cornerstone of the federal civil service system. Table 1 presents the nine merit system principles, as outlined in title 5, section 2301. In addition, stakeholders expressed the need to elevate the status of human capital and human capital management to recognize the critical role of the federal workforce.

Table 1. Merit System Principles¹⁹

Merit System Principles (5 U.S.C. Section 2301)	
1.	Recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society, and selection and advancement should be determined solely on the basis of relative ability, knowledge and skills, after fair and open competition which assures that all receive equal opportunity.
2.	All employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights.
3.	Equal pay should be provided for work of equal value, with appropriate consideration of both national and local rates paid by employers in the private sector, and appropriate incentives and recognition should be provided for excellence in performance.
4.	All employees should maintain high standards of integrity, conduct, and concern for the public interest.
5.	The Federal work force should be used efficiently and effectively.
6.	Employees should be retained on the basis of adequacy of their performance, inadequate performance should be corrected, and employees should be separated who cannot or will not improve their performance to meet required standards.
7.	Employees should be provided effective education and training in cases in which such education and training would result in better organizational and individual performance.
8.	Employees should be-- <ol style="list-style-type: none">A. protected against arbitrary action, personal favoritism, or coercion for partisan political purposes, andB. prohibited from using their official authority or influence for the purpose of interfering with or affecting the result of an election or a nomination for election.
9.	Employees should be protected against reprisal for the lawful disclosure of information which the employees reasonably believe evidence-- <ol style="list-style-type: none">A. a violation of any law, rule, or regulation, orB. mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety.

Stakeholders interviewed across human capital communities define the role of an enterprise human capital agency as setting broad government-wide federal human capital policy and oversight, serving as the advocate and gatekeeper of the merit system, and facilitating innovative practices across government agencies. They see the need for a more unified approach to the

19. Merit System Principles, 5 U.S.C. § 2301

federal workforce than currently exists. Chief human capital officers (CHCOs) and HR directors in agencies with multiple hiring authorities noted that opportunities exist to collapse many of the existing excepted service authorities and place greater focus on commonalities across federal agencies and occupational job families, while enabling appropriate flexibilities at the agency level to address truly unique requirements. The issues of excepted service and various flexibilities will be discussed in Section 2.

Stakeholders interviewed also expressed the need for OPM to reframe its mission to reflect the needs of a 21st century federal workforce. OPM’s mission, as defined in its most recent Strategic Plan, is:

“We lead and serve the Federal Government in enterprise human resources management by delivering policies and services to achieve a trusted effective civilian workforce.”²⁰

Based on their experience, these stakeholders perceive OPM as more reactive than proactive—in essence, not delivering on that mission statement. They consistently assert the need to clarify and update OPM’s mission to be more strategic and innovative, while pointing out that agencies should have the flexibility to tailor the carrying out of those policies to meet their more unique needs. An exception here is the labor union community who raised concerns that hiring flexibilities circumvent established civil service rules and statutory requirements such as veterans’ preference.

Finally, stakeholders interviewed believe that OPM should be conducting appropriate oversight and most assert that oversight should extend beyond the title 5 covered federal workforce. As title 5 today does not represent the full scope of the federal civilian workforce, stakeholders believe that OPM should look across existing human capital titles (i.e., titles 10 [armed services civilian workforce], 22, 38, and 42) and view its role more broadly from the perspective of the Federal Government’s employer—not just the title 5 employer.

Impact of the Merger Proposal on OPM Operations and Staff

The impact of the proposal and related activities involving the merger of OPM with GSA and the move of policy functions to OMB was highly disruptive to the agency. Both internal and external stakeholders noted that the proposed OPM reorganization/merger, along with leadership changes (discussed below), created employee angst and uncertainty across the agency, contributing to employee turnover, declining morale, and trust issues. Staff turnover reduced staff capacity to carry out functions, while concern over the future of the agency affected recruitment. The lack of transparency and turmoil given constantly changing priorities were raised as significant issues.

None of external stakeholders interviewed by the study team supported the combined move of policy functions to OMB and full merger of OPM units with GSA—although some elements, such as moving certain transactional functions, were more amenable to some stakeholders. The proposal was largely driven by the then OMB Deputy Director for Management. With the exception of the move of the CHCO Council support staff from OPM to GSA consolidating all CXO councils’ support, activities and meetings related to the merger ceased in mid-FY 2020.

20. U.S. Office of Personnel Management, *OPM Strategic Plan Fiscal Years 2018-2022*, (February 2018).

The proposal largely focused on information technology (IT) systems and the move of transactions processing to GSA, with the goal of ultimately reducing the costs of the transactional services. The business case for the move did not include a cost-benefit analysis of the transfer of functions to GSA; the case for transferring policy functions to OMB was not detailed in the submission. Apart from human capital issues noted at a very high level (for example, human capital's placement on GAO's High-Risk List), the proposal did not provide a documentation of the specific problems and their root causes to support the merger.

Stakeholders' views on GSA varied on the potential for absorbing some human capital transactional services, given GSA's role in shared services and the various government-wide contract vehicles it provides. However, stakeholders pointed out that GSA does not have human capital expertise and raised alarms about moving all OPM functions, except policy, to GSA. While GSA is one of four government-wide payroll shared services providers and, in collaboration with OPM, provides agencies with access to negotiated contractual arrangements for training and consulting services, GSA itself does not offer the full suite of HR shared services. Not surprisingly, some stakeholders raised concerns about GSA's designation as the Quality Service Management Office for Civilian HR Transaction Services under the Cross-Agency Goal for Sharing Quality Services, given that responsibility for those functions resides in OPM. In discussions with GSA, the study team was told that while the proposed merger of OPM's Human Resources Solutions (HRS) would have fit with GSA's shared service initiatives, the merger as a whole would have posed significant IT risks to GSA. GSA's IT is internal facing, whereas OPM's is external facing, interacting with government and public customers.

Lack of Sustained Leadership Impedes Mission Execution

The importance of strong, sustained leadership to organizational success cannot be overstated. OPM has weathered substantial turnover at the top, as well as throughout the agency in both the political and career ranks. Disruptive to program leaders and staff, high turnover has limited the Agency's ability to address long-term human capital management challenges and exert government-wide leadership in federal HR. Frequent leadership changes and vacancies in the program units and staff offices make it difficult to implement sustainable initiatives or priorities as priorities routinely shift while approval of plans, policies, and actions face delays or are abandoned. For example, the effort to implement a government-wide Employee Digital Record by September 30, 2019—a key strategic plan goal—was terminated when the champion left the agency.

As previously noted, the Trump Administration's proposal to merge OPM with GSA and move policy to OMB accelerated employee turnover, affected the morale of those who remained, and hindered the Agency's ability to recruit and back-fill positions. Staff capacity was a key concern consistently voiced by internal and external stakeholders, alike. As mission critical career leadership departed, and along with them institutional HR expertise, a number of those positions were filled by political appointees ("senior advisors") with varying degrees of knowledge or experience in human capital management. In some cases, the appointment was to provide a temporary stopover while the political awaited confirmation to another position and agency. For example, the position of Associate Director for Employee Services, the lead office for OPM human capital management policy, was encumbered by a political appointee awaiting confirmation as a

member and Chairman of MSPB. Historically, political appointees were assigned to high level and supporting positions in the Director's immediate offices. They typically were not assigned to positions in program offices where they replace career staff with institutional program knowledge.

The total number of political appointees (89) at OPM during the Trump Administration term exceeded that of the prior Administration's two terms (73), reflecting the churn of staff. Entering the start of FY 2021, there were 39 appointees, the highest number historically, eclipsing the prior high of 38 that occurred during the Reagan Administration. Four of the appointees, including the Associate Director in Employee Services, were leading program units, traditionally led by career staff. Since 1981, the number of political appointees has varied from a low of 15 to the most recent high of 39.²¹

Undoubtedly, the most significant leadership issue was the lack of sustained leadership at the director and deputy director levels, a situation crossing recent administrations. Vacancies create uncertainty and acting leaders generally lack the organizational and political clout to forge strong relationships with myriad stakeholders.

The last confirmed OPM director to serve a full 4-year term was John Berry, 2009-2013. Since then, there have been just three confirmed directors—Katherine Archuleta (2013-2015); Jeff Pon (serving 7 months in 2018), and Dale Cabaniss (serving 6 months, 2019-2020). Acting directors have served in the interim, with three of the acting serving in dual hatted roles of Acting OPM Director and OMB Deputy Director for Management.

The situation is even starker for the deputy director position. From 2010 through the last confirmed Deputy Director in 2018—who simultaneously served as the Acting OPM Director and Acting OMB DDM (and for a short time was also the Acting Federal Chief Information Officer [CIO])—there was just one Senate confirmed deputy, Christine Griffin (2010-2011); no executive served in an interim capacity as acting deputy during that time. GPRA-MA established the chief operating officer (COO) role in CFO agencies and identified the deputy position as the principal to carry out the responsibilities. As a CFO agency, OPM has essentially been without a sustained deputy and official COO for more than a decade. To fill the void, OPM established a COO position in 2012, which was incumbered by three different career executives through 2015. The position was replaced by a career chief management officer (CMO) position in 2016 when the acting director at the time determined that the COO role should be reserved for the deputy. Since then, OPM has had a CMO of record—however, responsibilities have varied. Most recently, the functions were split between the career CMO who had oversight for strategic planning and a political appointee whose official title was Senior Advisor to the Director for Operations, a non-existing position. The position descriptions for the two roles were virtually identical. The career CMO had no direct reports whereas the Senior Advisor, typically a staff role, did. Lack of a consistent leadership roles and attention to management issues makes it difficult to break down organizational silos and both set and follow through on strategic direction.

21. Analysis based on published Plum Books and Government Accountability Office, *Political Appointees: 10 Year Staffing Trends at 30 Federal Agencies*, GAO/GGD-93-74FS.

CHCO Council—Missed Opportunities to Advance Federal Human Capital Management

The Chief Human Capital Officers Act of 2002 established (1) the CHCO position, elevating attention to human capital management in agencies, and (2) the CHCO Council to advise and coordinate the activities of agency members on such matters as modernization of HR systems, improved quality of HR information, and legislation affecting HR operations and organizations—essentially, provide a strategic focus. The extent to which the Council has fulfilled that vision has varied over the years. By statute, the OPM director is the chair; the OMB DDM, the vice chair. The chair sets the tone; how often the Council meets and how it has functioned varies by who is sitting in the leadership chair and how it aligns with his or her priorities. Council membership comprises CHCOs from the fifteen executive departments with an additional twelve from agencies designated by the OPM director.

The CHCO Council Charter, effective May 24, 2003, reprises the authority, functions, and requirements set forth in the CHCO Act; the latter requirements include ensuring that representatives of labor organizations attend at least one Council meeting each year and submitting an annual report to Congress. Administrative roles and responsibilities are not defined, beyond a broad overview of meetings scheduled at the direction of the chair and committees—both standing and ad hoc—which again can be established by the chair.

Unquestionably, OPM leadership turnover has impacted the CHCO Council. OPM’s level of engagement with the CHCO Council has diminished over the years; meetings are infrequent and largely consist of sharing of information by OPM. The statutorily required annual reports are not widely shared and at times, inconsistently prepared. The study team was told that FY 2019 annual report was the first in over a 4-year period. However, hard copies were just recently located for 2016 and 2018. These latter reports are not posted on the CHCO Council member website, and none (past or present) are publicly available. In Council meetings, information typically flows down, rather than a robust dialogue transpiring on issues and concerns raised by members. GAO has repeatedly recommended that OPM work with the CHCO Council to address open priority recommendations. Of the current open priority recommendations, six include working with the Council.

From a business model perspective, OPM leadership has viewed the Council as a communications arm for the Agency more so than a partner to solve problems. In recent years, the CHCOs have voted on sets of regulatory reforms they would like OPM to pursue but have gained little traction on these reforms. Examples shared include (1) 19 deregulatory reforms proposed in 2019, generated in response to frustration over submitting requests to OPM for approval that OPM nearly always grants when other mechanisms and entities exist (e.g., Inspectors General, GAO) that could identify errors; (2) a set of legislative reforms in 2018 to ease complications in the hiring system; and (3) a group of priorities in 2017 aligned with seeking less regulation from OPM and more authority to agencies to deal with hiring shortfalls, skills gaps in the HR occupation, and HR data challenges.

From March 2020 through January 2021, no official formal meetings (i.e., meetings led by the Acting Director) were held. To fill the void, CHCO members met independently—a situation they reportedly found productive as they set the agenda and priorities. Initially, OPM and OMB were

not invited to participate. However, they were later included in the sessions to listen and contribute, but not direct the meetings. In addition, beginning in early 2020, OPM staff hosted virtual meetings for CHCO Council members, other CHCOs, and agency HR directors to share information. These calls started out as weekly calls before transitioning to every other week. Most recently, the calls were suspended as the new Administration reinstated the formal monthly meetings. Efforts are also underway to establish CHCO Council working groups, including a working group to update the CHCO Council charter.

CHCO members note that the present formal Council structure does not allow the CHCOs to collaborate, share their ideas and practices, and have productive discussions. CHCOs with whom the study team spoke would like to see the CHCO Council's role evolve to one of a strategic partner and advisor to OPM, with the CHCOs accorded a "voice" similar to what exists for members of the other federal CXO councils such as the Chief Information Officers, Chief Financial Officers and Performance Improvement Officers Councils, which reportedly have clout.

OPM Role and Leadership—Roadmap to Address Challenges

The Federal Government is the largest employer in the United States. Recognition that a skilled workforce is crucial to solving complex problems and executing on policy is widespread—the need for a skilled workforce permeates virtually all programs identified by GAO as high risk. Actions are needed to support the statement that the workforce is the Federal Government's most important asset.

The current civil service system is widely recognized as rigid, outdated and in need of major reform—particularly in the areas of hiring, classification, and pay. Virtually, the same language was used to describe the situation in the 1970s that led to the passage of the Civil Service Reform Act, illustrative of the complexity of addressing core problems without champions and support in both the Executive Branch and the Congress. Over the years, numerous studies have highlighted persistent issues and suggested approaches—but no consensus exists today. More recently, studies have noted that the situation is reaching—or has reached—a crisis stage.

The need for greater flexibilities to hire (and fire) have led to a proliferation of exceptions from the competitive service, providing some helpful flexibilities but also creating fragmentation of the civil service and increasing complexities. (A more detailed discussion of this issue appears in Section 2.) A common refrain is the need to "modernize" the merit system. However, while efforts to do so may be framed as improving efficiency and effectiveness, they can also curtail civil service protections for career staff. It is not necessarily the principles that need to be modernized as much as the need to redefine how they are interpreted and executed. The challenge is to find a way to balance flexibilities and innovation while maintaining overarching merit system principles. A more comprehensive, government-wide approach is clearly indicated.

Meeting the needs of a 21st century workforce will require a reinvigorated focus on strategic human capital management and performance. Today, widespread recognition exists among stakeholders of the need for an independent, enterprise-wide human capital agency and a steward of the merit system principles, along with the need to rebuild capacity, encourage innovation, and become more strategic. OPM should be the lead for federal civilian human capital, setting policy, establishing a framework for agencies to manage their workforces, facilitating innovation and the

sharing of best practices and lessons learned, and both collecting and using data and data analytics.

Human capital needs to be elevated. The OPM Director should be **the** principal advisor to the President on human capital, as envisioned in the Civil Service Reform Act. The OPM Director should work in concert with the OMB Deputy Director for Management on Administration priorities—but deferred to as the clear lead on human capital matters.

The Director—and HR as a whole—needs a “seat at the table.” Currently, there are no qualifications requirements in the statute for the OPM director position. A number of agency head positions, such as the Federal Emergency Management Administrator and the Internal Revenue Commissioner, have statutory qualification requirements as do other leadership positions such as appointment to a CFO position. Turnover has been a major issue—but the CSRA established a 4-year term not coterminous with the term of the President; the President may fire the incumbent at will.

To elevate human capital management requires commitment and support from both the Administration and the Congress. It will also require a concerted effort to improve the capacity of the human resource community government-wide; training and upskilling are essential. Human capital should be a priority, nonpartisan concern.

Opportunity exists for OPM to work more collaboratively with the CHCO Council to address pressing issues, including the reskilling/rebuilding of federal HR staff capacity, and to promote innovation and the sharing of promising practices. The CHCO Council should function as a key stakeholder and partner to OPM during policy development and review, employing both formal and informal channels of feedback on policies, excepted authorities, pilot programs, and the like. OPM and the CHCO Council can also create an effective partnership with the CXO councils as management priorities and initiatives depend on talent. The CXO Councils serve as an important conduit to enable and achieve mission outcomes. As such, the Council could establish a formal partnership agreement with the CXO Councils articulating how the CHCO Council can assist the CXO Councils in addressing HR challenges affecting their communities.

OPM needs to work with CHCO Council members to revise the Council Charter to clearly state the purpose, guiding principles, and organization, as well as the Council’s role, responsibilities, and practices. In amending the Council Charter, OPM and Council members should consider instituting a standard schedule of meetings, establishing a number of specific standing committees, and defining a framework for how it will work with other CXO Councils. Most importantly, the OPM Director needs to actively engage the CHCO Council as a partner in promoting strategic human capital management.

Achieving a Reframed Mission—OPM Organization and Operating Model

To both achieve the strategic vision of elevating and supporting human capital as a strategic priority across the federal enterprise and meet the needs of a 21st century federal workforce, OPM must reframe its mission, organization and supporting processes. With the proliferation of title 5 excepted authorities, OPM’s current mission and focus on title 5 is clearly not sufficient to address the complex workforce issues confronting the Federal Government. A more coherent and cohesive

government-wide approach that affords agencies flexibilities for tailoring to meet their more unique requirements is needed.

The Academy Reports, *No Time to Wait, Parts 1 and 2*,²² provided a useful construct for reframing strategic human capital management—mission first, principles always, accountability for both. **Part 2** opined that the central human capital agency must advance the federal government’s strategic human capital goals and strike a balance between centralization and flexibility, moving from a culture of compliance to a promise of performance that allows agencies to meet their varied missions. The results of this study support that view. There is a critical imperative to elevate human capital management and for OPM to strategically lead federal civilian human capital by setting policy, establishing a framework for agencies to manage their workforces, facilitating innovation and the sharing of best practices and lessons learned, and collecting/using data and data analytics. To do so will require a different OPM organization and internal culture.

Organizational structure and alignment, together with an agile operating model to execute program responsibilities, are major determinants of an organization’s ability to successfully carry out its mission and strategies. To enhance OPM program execution, a review of the organizational placement of both mission and support programs is necessary to maximize performance, optimize resource allocation, and develop an operational model that will enable transforming the organization to meet reframed mission needs. The operating model includes governance, accountability, and capabilities comprising people, processes, and technology. It serves as a blueprint to translate strategy into results.

OPM needs to fundamentally transform itself to better meet the needs of a 21st century workforce and embrace a more strategic, forward-looking mindset. It needs to think beyond its predominantly compliance-oriented view. Internally, it needs to adopt an enterprise mindset to break down organizational silos. The success of these efforts hinges on a critical and foundational element—changing internal organizational culture. As many studies and articles have pointed out, this is not an easy feat; it will take a significant effort and investment on part of leaders and the workforce. But OPM can only be successful if it commits to it and is diligent to ensure the effort does not simply become a paper exercise.

Currently, OPM is not structured organizationally to deliver successfully on its mission as presently defined. The organization is largely siloed, with those silos reinforced by the funding structure—transfers from trust funds, fees from revolving funds and S&E appropriations. Dispersed physical locations can also insulate some units from feeling part of the overall organization; for example, the Retirement Operations Center is located in Boyers, PA. Under the previous Administration, clarity between line and staff functions was lacking and as career executives departed program offices, their positions were often filled by political appointees. As a result, reporting relationships and priorities changed frequently. Leadership turnover, affecting both line and staff functions, made promoting and embracing a “one OPM” vision difficult to achieve, although some efforts, according to agency officials, were active to improve collaboration and address any unintentional competition among program units. The Agency’s Delegation of

22. National Academy of Public Administration, “No Time to Wait, Part 1 and Part 2: Building a Public Service for the 21st Century,” (July 2017 and September 2018).

Authorities document, the key internal directive establishing clear decision-making authorities for OPM offices and leaders, was reportedly in the process of being updated; however, the directive of record, dated 2016, was clearly not current. Perhaps, not surprisingly given leadership churn, many of the political appointees with whom the study team spoke were unaware of this document laying out decision-making authorities.

OPM has neither a strategic planning office nor an overarching policy office to look across the Agency, and the Federal Government, to facilitate a workforce human capital lifecycle perspective—from recruitment to separation and retirement—in developing policy, regulations, and guidance; providing services; and crafting and sharing promising practices. During the course of study team’s review, OPM disbanded the relatively short-lived Strategic Planning and Innovation office, established by Jeff Pon during his brief term as Director. According to officials, the office did not lead strategic planning; that function is principally performed by the Chief Management Officer. Organizational performance management functions, on the other hand, are housed in the Office of the Chief Financial Officer. In addition, while essentially a regulatory agency today, OPM lacks the institutionalized processes expected in a regulatory agency. Moreover, OPM is not proactive in developing legislative proposals to improve human capital management and not actively engaged with congressional committees. This lack of active engagement was recognized in the FY 2021 appropriations which designated funding for the agency to hire staff in Congressional, Legislative, and Intergovernmental Affairs.²³ The Agency also lacks a responsible official to focus on OPM’s myriad customers. Internally, the management or business model is described as plan (policy), do (services) and check (oversight)—a management model most commonly applied to project management and process improvement initiatives. “Plan” does not necessarily equate to policy; “do” is primarily executed by the agencies. These are all areas that require attention as OPM evolves to achieve a reframed and more proactive mission as the Federal Government’s leader in civilian human capital management to meet the needs of the 21st century workforce.

Conducting an organizational and workforce review was beyond the scope of this study. However, the Panel believes that a major transformation effort, together with a formal change management strategy, is needed and suggests that OPM consider adopting an integrated management framework to imbue an organizational culture and workplace environment in support of the reframed mission and to promote the importance of effective management practices to achieve the mission. Adopting an integrated, strategic systems thinking approach would afford OPM a more holistic view of the organization, breaking down silos, and aid in realizing the human capital life cycle in Agency efforts. It would impart the view of the Agency’s interrelated dependencies and focus on the relationships between programs, processes, and people, both internal and external. Importantly, it would connect all units to a shared vision while affirming the integrity and accountability of the organization through the policies and practices that it communicates to internal and external stakeholders. As a critical step in this effort, OPM must adopt an organizational change management process to engage its employees and stakeholders, shift mindsets and behaviors, and generate commitments to change. It begins with aligning leadership, engaging in open, two-way communications, providing tools and training to shift mindsets and

23. “Consolidated Appropriations Act, 2021; Division M – Coronavirus Response and Relief Supplemental Appropriations Act, 2021,” Pub. L. No. 116-260

behaviors, and developing mechanisms to continuously improve by soliciting feedback throughout the process.

In December 2020, OPM let a contract for a “workforce analysis” to assist OPM in determining what actions are needed to maximize performance and to assist OPM in workforce planning to meet changes in the operating environment for both current and future work. The goal as stated is to identify the “right shape, size, cost, and agility” for OPM. It directs an evaluation of each OPM office’s/unit’s staffing numbers and competencies and identification of gaps across mission critical positions. The contractor is tasked with proposing a staffing level, organizational structure, and workforce plan to strengthen OPM operations. This is a perfect opportunity to link the results of this study with the upcoming workforce analysis in determining both how to realign the agency and to rebuild staff capacity. As part of this effort, an examination of the numbers and roles of political versus career staff should also be conducted.

Panel Recommendations

Objective: Reaffirm and broaden OPM’s role as an independent entity and leader for federal civilian human capital management and reinvigorate strategic human capital management.

1.1 Congress should amend title 5, section 1101. (5 USC 1101), Office of Personnel Management, to clarify and redefine the role and mission of OPM as the federal government’s enterprise-wide, independent federal human capital agency and steward of the merit system for ***all*** civilian personnel systems and employees, responsible for providing government-wide leadership in strategic human capital management.

Functions currently delineated in statute should be revised and expanded to clarify that OPM is responsible for:

- Working with stakeholders to develop policies that foster best practices in all human capital areas and ensure the Government has the mission critical workforce required to execute agency missions and evolving priorities.
- Delegating human capital management authorities to agencies to the maximum extent practicable and feasible and setting standards for the delegated activities.
- Refining and maintaining an oversight program to ensure delegated authorities are in accordance with merit system principles by employing efficient, risk-based, data-driven processes, developed with an eye toward reducing burdensome reporting requirements.
- Leading in the development and use of data and data analytics to forecast needs, identify systemic issues, and inform policy, oversight, and services.
- Promoting and facilitating innovation through research and pilot projects and the development of legislative proposals, where indicated, to advance innovative approaches government-wide.
- Setting standards of practice and working collaboratively with the government-wide federal human capital community.

1.2 Congress should amend title 5, section 1102. (5 USC 1102), Director, Deputy Director; Associate Directors to:

- Add a qualifications requirement to the position of OPM Director for demonstrated leadership experience and human capital management expertise (Section 1102 (a)).
- Add a statutory requirement for a career chief management officer, with responsibilities clearly established to assist the Director and Deputy Director in achieving Administration priorities, while providing continuity and strengthening focus on internal agency management to deliver on mission. (Section 1102 (b)).

1.3 Congress should amend Pub. L. 107-296, title XIII, section 1303 Chief Human Capital Officers Council, to add a rotating vice-chair from among the CHCO membership.

Objective: Recognize the criticality of the federal workforce as the Government's most important asset for achieving agency missions and focus Congressional attention on federal workforce issues of both today and importantly, the future.

1.4 Congress should reestablish civil service subcommittees in the House and Senate oversight committees to (1) address the state of the federal workforce and federal human capital management; (2) promote government-wide policy and legislation in support of the workforce and OPM's role as the lead for federal civilian human capital management; and (3) advance federal human capital management reforms.

Objective: Refocus OPM to make it a state-of-the art human capital organization capable of elevating and supporting human capital as a strategic priority across the federal enterprise and address the needs of a 21st century federal workforce.

1.5 OPM should (1) redefine the OPM mission statement and restructure the organization to effectively and efficiently execute the reframed mission priorities and (2) restore the agency's reputation for human capital leadership, expertise, and service by redirecting the internal culture and rebuilding internal staff capacity. Among priorities, OPM should:

- Focus on addressing organizational culture issues and silos—in particular, the widely held perception of customers that OPM's mantra is “just say no.”
- Identify critical staff skill gaps in human capital competencies and analytical skills, such as data analysis.
 - Institute a formal knowledge management approach within the agency to strengthen internal knowledge management transfer and minimize the loss of institutional knowledge resulting from staff retirements and attrition.
 - Consider establishing a rotational program between OPM and agencies' human capital staff to enhance knowledge sharing.
- Establish a strategic planning and policy office.
 - Within the office, establish a regulatory affairs function to take a government-wide view of all OPM's policy development and issuance processes (including suitability, insurance, and retirement policy) and coordinate policy issuances across program units and externally to avoid inconsistent, incompatible, or duplicative policies.

- Consider establishing a chief customer experience officer.

1.6 OPM should establish a human capital advisory committee comprising representatives of public, nonprofit (including academia), and private sector organizations to advise OPM on emerging best practices and innovation in human capital management and to serve as a sounding board for agency initiatives.

Section 2: OPM Core Mission Functions and Programs

OPM carries out a broad range of functions and activities in fulfilling its responsibilities as defined in the Civil Service Reform Act (CSRA) of 1978 and codified in title 5 of the U.S. Code. Executive orders and amendments to title 5 further delineate agency responsibilities and tasking. Core mission functions include policy, oversight, and program execution. In addition, OPM provides a wide range of services in support of those core functions.

The state of the federal civil service system and government-wide human capital management, and how well OPM performs its leadership role and executes the core mission functions in support of the federal workforce, are the subject of numerous studies and audits. Typically, these reports include a broad array of recommended actions from incremental changes in programs and processes to major reforms for the Agency and for lawmakers. Addressing the underlying issues that affect OPM's capability, capacity, and credibility to perform and fulfill the role of advancing human capital management government-wide is especially critical, given the challenges confronting the Federal Government and its workforce today and tomorrow.

2A: Policy

Reorientation Needed from Reactive to Proactive, Forward-Looking Policy Development

Policy development is core to OPM's mission. The CSRA assigned OPM the responsibility to prepare civil service rules, advise the President to promote an efficient civil service system, and recommend policies relating to the selection, promotion, transfer, performance, pay, conditions of service, tenure, and separation of employee.²⁴ While responsibility for policy development is split among a number of program units depending on the program such as retirement, healthcare and insurance, and suitability, the office with the lead policy responsibility for employee selection through separation is Employee Services (ES).

The intent of the CSRA was that OPM would take a proactive role in developing policy. Studies and reviews by the Merit Systems Protection Board (MSPB) and others have found OPM to be more reactive than proactive in policy development. The study team's analysis supports that view—OPM mostly takes a reactive approach, developing and issuing regulations and policy guidance to meet the requirements of laws or executive orders. Seldom does it pursue a legislative or regulatory agenda promoting change. However, OPM has the responsibility to offer guidance and assistance to help agencies beyond implementing statutory requirements; it should also provide leadership in leveraging data and data analytics, solving complex human capital management problems, promoting best practices, sharing lessons learned, and encouraging innovation. Stakeholders across human resource (HR) communities stressed that the reactive approach is not sufficient. Multiple interviewees pointed out the importance of anticipating future workforce challenges and adopting an ongoing, disciplined approach to addressing long-range visioning and planning. OPM should be leading efforts to analyze emerging trends and key issues that may impact the future operating environment of the Federal Government, forecasting future

24. 5 U.S.C. § 1103 (a)(7)

workforce needs, and providing guidance to help agencies look ahead to what is coming, navigate the unknown, and better prepare for the future.

Federal human capital management and supporting systems are complex, disparate, and difficult to navigate. The federal workforce is governed by a plethora of statutes, executive orders, and regulations. Principal titles in the U.S. Code include title 5 (civilian workforce), title 6 (domestic security), title 10 (armed services civilian workforce), title 22 (foreign service), title 38 (medical/healthcare), and title 42 (Public Health Service Commission Corps). Over the years, many of the changes in federal workforce authorities and programs have been granted through National Defense Authorization Acts (NDAAs), as well as agency-specific legislation and executive orders.

The growing use of hiring flexibilities and excepted service authorities has increased the complexity of managing federal HR. Excepted service employees account for about one-third of federal workers.²⁵ Numerous excepted service (Schedules A through E) and time-limited excepted hiring authorities are provided to agencies by OPM for title 5 covered agencies and through executive orders. In addition, agency-specific excepted hiring authorities and alternative personnel systems are granted through legislation that exempt agencies from some or all of title 5 requirements. In its report *The Excepted Service: A Research Profile*,²⁶ the Government Accountability Office (GAO) captures the essence of the complexity of excepted service authorities. Excepted service, as GAO has noted, is not a “coherent service;” it covers all civil service positions that are not in the competitive service or the senior executive service (SES). Exceptions are provided to agencies or to groups of employees (i.e., specific positions) under various circumstances and rationales, engendering a range of variations in the extent to which these agencies or positions are excepted. Some agencies are granted broad exceptions from title 5, while others are still subject to some sets of title 5 provisions. As a result of divergent exceptions, agencies’ HR management practices differ significantly across the federal government. GAO identifies a number of challenges in examining the excepted service systematically, including the lack of a central source of information and data on the excepted service system, the varying extent of exceptions, and limited understanding of the excepted service among government officials.

While OPM reports annually on title 5 excepted authorities under its purview, a comprehensive list of all government-wide excepted service authorities currently does not exist. OPM officials note that OPM is not required to publish agency-specific excepted hiring authorities. However, Civil Service Rules IX and X do provide OPM the authority to collect civilian workforce information from all executive agencies and review agencies’ HR management programs and practices.²⁷

Among stakeholders, there is a pervasive view that the burgeoning number of excepted authorities is primarily the result of agencies requiring hiring flexibilities, and OPM not being responsive to agency needs. For some agencies, it is easier to seek assistance from their Congressional authorizing committees and secure personnel flexibilities through legislation. Despite the availability of numerous authorities, agencies tend to use only a limited number of them. A 2018

25. Congressional Research Service, *Categories of Federal Civil Service Employment: A Snapshot*, Report #R45635, (March 26, 2019).

26. U.S. Government Accountability Office, *The Excepted Service: A Research Profile*, GAO/GGD-97-72, (May 1997).

27. Exec. Order No. 13197, 3 Fed. Reg. 123197. (January 18, 2001).

OPM study suggests that between FY 2012 and FY 2016, agencies used 51 of the 62 legal authorities available during this period, while 92 percent of excepted service appointments were made using only eleven hiring authorities.²⁸ Given agency usage patterns, OPM sees the value of reviewing and streamlining current hiring authorities to ensure effective use of excepted service authorities.²⁹ In addition, Chief Human Capital Officers (CHCOs) in agencies with multiple excepted service authorities that the team spoke with pointed to the need to consolidate the authorities, together with the need to focus on commonalities across communities and occupations or occupational families. Stakeholders representing employee unions, however, expressed concern that excepted service authorities provide avenues to circumvent competitive service and civil service protections. It is essential that flexibilities provided do not undermine civil service and merit system protections and that accountability mechanisms are in place to prevent the skirting of these protections.

General consensus exists among stakeholders interviewed that the requirements of federal HR statutes and regulations are generally restrictive with burdensome reporting requirements, affording agencies limited flexibility to hire, manage, and develop employees. A host of studies have reported long-standing concerns regarding the complexity and rigidity of the federal HR system. For example, the Academy's report *No Time to Wait: Building a Public Service for the 21st Century* points out that federal HR statutes and regulations "have not had a thorough housecleaning in more than two generations" and calls for a complete overhaul of the federal government's human capital guidance.³⁰ MSPB identifies the complexity of HR laws and regulations as one of the key barriers to transforming the HR workforce. According to the 2016 Merit Principles Survey, the complexity and rigidity of HR policies and procedures were cited by survey respondents as the top two factors causing difficulties for supervisors.³¹ A recent report by the Center for Organizational Excellence and Senior Executives Association, *Transforming the Governance of Federal Human Capital Management*, also emphasizes the importance of streamlining and simplifying HR regulations to provide agencies the flexibility they need and recommends a "complete and thorough review of all human capital management related legislation and regulations."³²

Actions are clearly needed to reform the federal HR system and streamline HR statutes and regulations. The study team's review of relevant statutes, executive orders, and regulations found that in some areas (e.g., federal retirement programs, healthcare and insurance, employee leave), statutory requirements tend to be prescriptive, and reforms or changes would require legislative actions; while in other areas, statutory provisions are broad and afford OPM considerable flexibility in translating the statutory requirements into regulations and guidance. In still others, there may be a mix of some specific requirements with flexibilities afforded for implementing provisions of the statute. From the study team's review, it is clear that many changes can be accomplished by OPM through administrative actions, a conclusion noted in numerous recent

28. U.S. Office of Personnel Management, *Usage of Ten Selected Hiring Authorities: Their Use and Effectiveness in the Executive Branch*, (July 2018), i.

29. OPM, *Usage of Ten Selected Hiring Authorities*.

30. National Academy of Public Administration, "No Time to Wait: Part 2", 4.

31. U.S. Merit Systems Protection Board, "The State of the Federal HR Workforce: Changes and Challenges," (May 2020).

32. The Center for Organizational Excellence and Senior Executives Association, *Transforming the Governance of Federal Human Capital Management: Creating Capacity to Enable Effective Change*, (July 29, 2020), 68.

studies and white papers, including the Academy's, on the state of federal human capital management. For example, OPM is granted significant flexibility in setting pay for critical positions. Title 5 outlines two broad criteria for setting critical position pay: 1) a position that "requires expertise of an extremely high level in a scientific, technical, professional, or administrative field;" and 2) a position that "is critical to the agency's successful accomplishment of an important mission."³³ OPM, in turn, details the policy and procedural requirements (documentation, pay rate limitations, and the like) to carry out critical pay authority in the Code of Federal Regulations (CFR).³⁴

OPM's flexibility in developing regulations and guidance can be limited by various executive order (EO) requirements. Some establish very specific requirements and set clear parameters within which OPM develops rules and regulations. For example, EO 13839, *Promoting Accountability and Streamlining Removal Procedures Consistent with Merit System Principles*, laid out specific requirements on agencies' removal procedures, disciplinary actions, and grievance procedures, and required agencies to submit an annual report on their adverse actions to OPM.³⁵

Statutes and executive orders can create considerable burden on the federal human capital system and OPM and agency HR offices' workload. Often, new legislation will include a requirement that OPM provide a one-time report or annual reports, which in turn will require that OPM collect information from the agencies. To do so, OPM will develop and institute reporting requirements on agency HR offices. The same is true for executive orders. EO 13839, *Promoting Accountability*, noted above requires agencies to submit a report on adverse actions to OPM annually. EO 13950, *Combating Race and Sex Stereotyping*, halted diversity training until a required OPM review of agencies' diversity training programs was completed. Multiple executive orders, such as EO 13950 and EO 13957, *Creating Schedule F in the Excepted Service*,³⁶ were issued by the last Administration in quick succession and without advance notice to OPM staff directing OPM actions, significantly affecting its workload and priorities and that of the agencies government-wide—in turn, affecting the workforce as a whole.

OPM's current process for policy development and issuance is time consuming and appears to lack transparency. Many complained that it takes too long for OPM to issue policy guidance, and OPM does not provide status updates or expected issuance timelines. Additionally, OPM's policy communications are often not timely, and the OPM website, as a source of critical information, is neither user-friendly nor up to date. These stakeholders, however, also acknowledged the challenges confronting OPM staff—leadership turnover, changes in priorities, constrained resources, and staff turnover—and believe that staff do the best they can under trying circumstances.

OPM did not provide data on the average time required to develop and issue policy guidance. Officials told the study team that most regulations and guidance are issued before any required statutory deadline. The timeline varies greatly depending on complexity and priority. In some cases—particularly when the issue is controversial and requires broad stakeholder engagement—

33. 5 U.S.C. § 5377

34. 5 CFR Part §§ 535.101-535.107

35. Executive Order 13839 was revoked on January 22, 2021.

36. Executive Order 13950 was revoked on January 20, 2021. Executive Order 13957 was revoked on January 22, 2021.

it can take months or years to develop regulations and guidance. OPM does not have a document that maps out all stages and steps of its policy development process, and the study team was told that OPM currently does not have a document management system to track documents through internal and external review processes. The previous document management system was retired in September 2020, and delays have arisen in the implementation of a new system. In the interim, OPM set up an email clearance process for document review and approval. In addition, some stakeholders noted that OPM's guidance needs to be clearer and raised concern about OPM's "one-size-fits-all" approach to policy development, which often overlooks the more unique needs of small agencies with limited resources and expertise. OPM officials repeatedly cite internal resource constraints as an issue. While agency stakeholders acknowledge OPM has resource issues, they also complain that OPM too often uses the lack of resources as an excuse in responding to agencies' suggestions.

As discussed in Section 1, OPM has not fully leveraged the expertise of the CHCO Council. Multiple studies and reviews have noted that the CHCO Council could play a more active role in advising OPM on a broad range of issues, such as policy development and implementation and setting policy priorities, to transform the federal human capital management system. For example, as GAO has noted, the CHCO Council can play a key role in "developing policies that are sensitive to implementation concerns and gain consensus and consistent follow-through within the executive branch."³⁷ Similarly, a number of interviewees noted that the Small Agency Human Resources Council (SAHRC), representing 102 small agencies, can serve as an important vehicle to facilitate the collaboration between OPM and agencies in developing and implementing federal HR policies more appropriately scaled to their needs.

In general, OPM lacks the institutionalized processes expected in a regulatory agency (e.g., a regulatory affairs function) to coordinate policy issuances across program units and with the Office of Management and Budget (OMB) and agencies. No one official appears to be responsible and accountable for policy. The existing Regulatory Affairs unit within the Office of Executive Secretariat mostly performs administrative support functions. OPM's Office of General Counsel (OGC) is perceived as a barrier by both internal and external stakeholders, but the extent of delays is not clear and contributing factors—such as the degree of involvement of OGC during policy development—vary.

Action Steps to Refocus Policy Development

As the central federal human capital agency and the President's primary advisor on human capital, OPM's role in policy development needs to be reframed to focus on government-wide strategy, innovation, best practices, and lessons learned. The Panel believes a more proactive approach to developing policy guidance is needed to improve agencies' ability to carry out their human capital management responsibilities, meet future workforce challenges, and promote an effective civil service system.

A well-defined policy development process would also lead to more effective, responsive, and transparent regulatory decisions. Working with stakeholders, OPM should lead in developing

37. U.S. Government Accountability Office, "Posthearing Questions Related to Agencies' Implementation of the Chief Human Capital Officers (CHCO) Act," GAO-04-897R, (June 18, 2004), 2.

government-wide human capital management policies and programs, employing a redefined and effective regulatory process with clearly defined roles and responsibilities, performance metrics and accountability mechanisms, while facilitating innovation and the sharing of promising practices. OPM should also promote the collection, development and use of data and technology solutions/tools to inform policy and practices, enable efficiencies, and improve transparency.

Addressing the mission critical workforce needs of today and importantly, tomorrow, requires an agile, effective, and efficient federal human capital management system. There has been a long-standing debate over centralization versus decentralization as the favored structure for federal human capital management. The Civil Service Reform Act sought to give agencies more direct control of their human capital management activities to increase the flexibility and responsiveness of the federal HR system;³⁸ since the passage of CSRA, OPM has undertaken various efforts to delegate operational HR management authorities to agencies.³⁹ The National Performance Review (NPR), a six-month initiative during the Clinton Administration that spurred many changes in the federal HR system, also pushed for maximum delegation of authorities to agencies and highlighted that OPM's primary role is to provide expert advice and consultative assistance.⁴⁰ Over the years, many studies and reviews have emphasized the value of developing an agile federal human capital system. For example, in its report, *No Time to Wait: Building a Public Service for the 21st Century*, the Academy Panel recommends a federated model for reforming the Federal Government human capital management system. In a federated system, the role of enterprise-wide leadership would be redefined. Agencies would have significant flexibility, such as expedited hiring, to manage their workforce. At the same time, the system would bring agencies together by upholding merit system principles and establishing an effective governance structure to ensure accountability and encourage collaboration.⁴¹

Prioritizing and sequencing changes in current statutes, regulations, and rules to transform government-wide human capital are necessary steps to ultimately support the federal workforce. OPM needs to work with its stakeholders to conduct a thorough, systematic review of existing HR statutes, executive orders, and regulations to identify those pain points in federal human capital management that cause the most burden and should be addressed first. As the central human capital agency, OPM needs to look across the human capital titles and embrace the leadership role for the entire federal civilian workforce. Additional statutory authority beyond Civil Service Rules IX and X would provide OPM the clear authority to collect civilian employee information from executive agencies and establish accountability systems.

Panel Recommendations

Objective: Reorient OPM's policy development approach toward a proactive, systematic model that streamlines federal human capital management.

2.1 OPM should work with agency stakeholders to review federal human capital regulations and guidance to identify needed changes, with attention to streamlining the human capital

38. U.S. Government Accountability Office, *Managing Human Resources*, GAO/GGD-89-19.

39. MSPB, *The U.S. Office of Personnel Management in Retrospect*.

40. *Accompanying Report of the National Performance Review*, (September 1993), 1.

41. National Academy of Public Administration, "No Time to Wait: Part 1."

management system, clarifying requirements, reducing administrative burden, employing a more decentralized and risk-based approach, and encouraging innovation. Steps include:

- Develop a list of government-wide excepted service authorities, including title 5 and other statutorily excepted authorities, and work with constituent groups to review and update the list regularly and identify opportunities to develop a more unified approach that places greater focus on commonalities across agencies and occupations while enabling appropriate flexibilities.
- Establish a cross-cutting taskforce comprising stakeholders from the CHCO Council and representatives from agencies (large, mid-size, and small) to review human capital regulations and identify an initial set of statutory and regulatory changes offering the greatest potential to improve the effectiveness of federal human capital management.

2.2 OPM should develop policy guidance and information sharing practices that focus on strategic human capital management, innovation, and the identification of best practices and lessons learned.

2.3 OPM should adopt a proactive, systematic, and inclusive approach to developing government-wide human capital policies that effectively address current and emerging workforce issues and reflect the needs of diverse stakeholder groups. Actions steps include:

- Compiling a checklist to identify the key factors that OPM should consider when developing human capital policies, regulations, and guidance including consideration of the long-term impacts of proposed policies on the future workforce and potential administrative burden.
- Engaging the CHCO Council, the Small Agency Human Resources Council, and other stakeholders in developing priorities, policies, and implementation guidance and providing feedback before full roll-out government-wide.
- Reviewing the policy development process to identify opportunities to improve efficiency by (1) developing internal written guidance on policy development and issuance, addressing key working relationships, identifying performance metrics, and establishing mechanisms for accountability and (2) making broader use of technologies and data that can increase the transparency of the policy guidance development process.

2B: Oversight

Shift Needed in Oversight Approach

OPM has a statutory mandate for oversight to ensure that human capital programs and activities are consistent with merit system principles and related civil service requirements. The oversight function is carried out by broad, programmatic program reviews/evaluations and studies and through actions that can be described as transactional oversight involving adjudications and approvals, based on either a statutory mandate or authority. The latter are activities for which agencies must seek permission from OPM to carry them out, sometimes down to an individual case. In addition, legislation and executive orders that impose additional reporting requirements on agencies and OPM's review of agency submissions add to OPM's transactional workload and divert attention from more strategic activities. The principal oversight office responsible for broad

programmatic evaluations and studies is Merit System Accountability and Compliance (MSAC). Transactional approvals and adjudication activities are carried out by different offices based on the subject matter: Employee Services (various hiring through separation approvals), MSAC (classification appeals, compensation claims), Suitability Executive Agent (SuitEA) (suitability determinations and reviews); and Retirement Services and Healthcare and Insurance (various adjudicative activities specific to their programs).

Table 2 below provides a snapshot of some OPM’s transactional approvals and adjudication activities. As shown in the table, title 5 provides OPM mandates and authorities to conduct transactional reviews and approvals. In some areas, the requirements in title 5 are very specific, and OPM has limited authority or flexibility when operationalizing those legislative requirements. Any changes to those functions would require legislative action.

Table 2. Transactional Activities

Transactional Activities		Organizational Owner
Approval of agencies’ direct hire authority requests	Statutory Mandate	ES
Pre-appointment review and approval of conversion of employees from political positions to career positions	Statutory Authority	MSAC
Approval of agencies’ special rate requests	Statutory Mandate	ES
Approval of agencies’ critical positions pay rates requests	Statutory Mandate	ES
Approval of agencies’ requests to waive the payment limits on Recruitment, Relocation, and Retention incentives	Statutory Mandate	ES
Approval of agencies’ dual compensation waiver requests	Statutory Mandate	ES
Suitability	Statutory Mandate	SuitEA
Approval of employee cash awards over \$10,000	Statutory Mandate	ES
Approval of agencies requests for Voluntary Retirement Early Authority (Voluntary Early Out/Voluntary Separation Incentive Payment)	Statutory Mandate	ES
Selective Service Registration Adjudications (determine whether failure to register was knowing and willful)	Statutory Authority	ES
Veterans Passover Requests of preference eligibles with compensable service-connected disabilities of 30 percent or more	Statutory Mandate	ES
Veteran Passover requests based on concerns of character or conduct	Statutory Mandate	SuitEA
Classification appeals	Statutory Mandate	MSAC
Job grading appeals	Statutory Mandate	MSAC
Declination of reasonable offer appeals	Statutory Mandate	MSAC
Compensation and leave claims	Statutory Mandate	MSAC
Fair Labor Standards Act claims	Statutory Authority	MSAC

In interviews with federal agency stakeholders, the study team repeatedly heard the refrain, “Mother, may I?” as an example of OPM’s current day-to-day, compliance-oriented approach. Multiple stakeholders view transactional reviews and approvals as a distraction from OPM’s role to lead federal strategic human capital management. They would prefer more flexibility, with OPM performing compliance reviews on a cyclical basis rather than case by case.

Transactional activities tend to emphasize title 5 status quo and compliance with detailed rules and standards, while strategic human capital management requires a forward-looking perspective that focuses on overall merit system accountability and the future of the federal workforce. These two roles can create conflict and tension with each other. OPM officials, however, believe that transactional activities are a key element of OPM’s efforts to enforce merit principles and deter noncompliance. They note that the purpose of OPM’s review and approval is to help agencies detect errors and ensure that agencies’ actions comply with relevant HR laws and regulations. However, adopting a more strategic approach neither negates nor devalues the importance of compliance—it simply changes how compliance is reviewed and achieved.

It is not clear how many resources are devoted to transactional activities. OPM officials noted that the amount of time required to review agencies’ requests varies depending on the type of request, ranging from ten days to 90 days. OPM’s Employee Services does not have staff dedicated to transactional review and approval work, and they do not track the hours spent on transactional reviews and approvals versus developing policies and regulations. Officials noted that the number of requests from agencies has remained relatively stable in most areas (e.g., Direct Hire Authority requests, Voluntary Early Retirement Authority [VERA] requests, Veteran Passover Requests, Dual Compensation Waiver Requests, etc.). There was a ten percent increase in the number of staffing variations requests, however, over the past few years.

In terms of its broader oversight role, OPM has an active program to ensure that agencies are following merit system principles. However, OPM’s broad oversight evaluation efforts have suffered from declining resources. As a result, the number of evaluations conducted by MSAC has decreased over the years. MSAC used to have 95 evaluators and evaluate all delegated examining units (DEUs) on a three-year cycle (i.e., 150 DEU reviews per year); however, due to budgetary constraints, MSAC currently has 31 evaluators and conducts under 100 evaluations per year. Some interviewees noted that some agencies are paying less attention to compliance, due to OPM’s diminished ability to conduct regular evaluations and audits.

In addition to regular evaluations, MSAC also performs special government-wide studies and comprehensive agency reviews. OPM has conducted four such studies/reviews, including a study on excepted service hiring authorities, a study on the Pathways Programs, a full review of Department of Homeland Security’s human capital operations, and a review of the National Park Service’s talent acquisition program. OPM officials noted that these types of reviews and studies can be very beneficial in improving the effectiveness and efficiency of the federal human capital system; however, OPM is not sufficiently resourced to do more of these comprehensive studies.

In the past, evaluations conducted by MSAC were more strictly compliance-oriented. More recently, OPM’s approach to oversight reviews has shifted with the implementation of human capital reviews consistent with 5 CFR 250, subpart B. Stakeholders the study team spoke with

noted the shift from compliance evaluation to performance evaluation through human capital reviews as a positive step.

Modernizing Oversight and Ensuring Accountability

Oversight is a core mission function for OPM as the central human capital management agency. While the Civil Service Reform Act provides agencies the primary responsibility to manage their workforce, it also highlights the importance of establishing strong oversight programs to ensure agencies' execution of HR management authorities is effective and to enforce merit principles and civil service laws and regulations.⁴² Without a doubt, serving as the guardian for the merit system is a critical OPM role, and one universally acknowledged by internal and external stakeholders. It is how the oversight role is executed where opinions differ. What is clear is that the role should be modernized. With a redefined mission focusing on strategy, policy, innovation, best practices, and data/data analytics, OPM needs to evolve from a predominant compliance-oriented culture to one of "trust but verify" with some clear exceptions, such as those based on statutory requirements. However, statutory requirements also need to be reviewed to assess their relevance today and to determine alternative approaches to achieve accountability.

Effective oversight should focus more on addressing government-wide issues and systemic problems. Agencies require greater flexibility to get the work done, with OPM performing periodic reviews to ensure compliance as opposed to reviewing individual cases. The goal of effective oversight should be to hold agencies accountable in a positive, principled way and help improve agencies' performance without looking over their shoulders. OPM should accelerate the shift from compliance evaluation to performance evaluation to provide forward-looking recommendations to address agencies' human capital management challenges. Transactional activities are a small piece of OPM's oversight responsibilities; however, many interviewees cited OPM's transactional reviews and approvals as a major pain point facing agencies. Accordingly, the Panel believes that it is necessary to reexamine and transform OPM's approach to carrying out this responsibility and shift to a more risk-based approach driven by data.

Effective oversight must rely on evidence and data. Data analytics and technology present useful tools to help enhance OPM's oversight capacity and reduce the administrative burden of oversight and compliance reviews. It is essential for OPM to have access to agencies' human capital management data and information to reinforce its oversight efforts to ensure merit system protection, develop best practices, identify lessons learned, and offer recommendations to help agencies improve performance. (Section 3 provides a more detailed discussion on the use data and data analytics.)

Panel Recommendations

Objective: Improve OPM's oversight programs and accelerate the shift from a strictly compliance-oriented approach to a more strategic, risk-based framework.

2.4 Congress should review and amend statutory mandates requiring OPM to conduct transactional approval and oversight and, to the maximum extent practical, authorize OPM to

42. U.S. Government Accountability Office, *Managing Human Resources*, GAO/GGD-89-19.

develop an alternative approach to carrying out its transactional approval and oversight responsibilities. Steps should include:

- Reviewing statutory requirements to distinguish (1) actions where OPM has flexibility to delegate authority, (2) high-risk actions where OPM should retain decision-making authority (e.g., where there is past evidence of abuse); and (3) actions where authorities should be updated to reflect current issues or needs and where statutory changes are warranted.
- Taking appropriate actions to amend or eliminate statutory requirements.
- Authorizing OPM to develop an approach in which laws, regulations, and policy guidance are enforced through delegation and periodic reviews or evaluations.

2.5 OPM should adopt a more decentralized and risk-based approach to executing its transactional approval and oversight responsibilities by delegating, to the maximum extent possible, decision-making authorities to agencies and conducting cyclical reviews to ensure compliance with relevant laws, regulations, and policy guidance. The effort should include developing:

- Policy guidance on how agencies should review transactional cases and exercise decision-making authorities.
- Delegation agreements which set the minimum standards of performance and describe OPM's oversight approach and agency responsibilities (for example, agencies routinely reporting to OPM information relating to their activities under the delegated authority and OPM's authority to require an agency to take corrective action and suspend or revoke a delegation agreement if the agency fails to comply with relevant laws, regulations, or the provisions of the delegation agreement).

2.6 OPM should modernize its approach to performing broad programmatic evaluations by expanding its efforts to conduct strategic and performance-oriented evaluations, focusing on government-wide, systemic issues, and providing forward-looking recommendations.

2C: Services

Re-Examining Customer-Focused, Fee-Based Products and Services

OPM's Human Resources Solutions (HRS) provides a variety of fee-based HR products and services, both general and customized, to enable agency talent acquisition, management, and workforce performance consistent with an administration's goals and government-wide HR policy guidance. Services include common HR technology systems, recruiting, staffing and candidate assessments, leadership development, training and upskilling of HR professionals, classification and job design, performance management, workforce/succession planning and restructuring, human capital shared services and solutions, and assisted HR acquisition services. Overall, the fee-based services score positively on customer satisfaction. HRS' customer surveys show that, over the past few years, the vast majority of customers (from 90 to 97 percent) believed HRS services contributed to improving organizational effectiveness and indicated that they would

recommend HRS to other government organizations.⁴³ A widespread perception among stakeholders is that HRS staff—including organizational psychologists, HR specialists, educators, training and development professionals, project managers, and contract administrators—are dedicated, knowledgeable, and professional. OPM officials note that HRS’ close working relationship with Employee Services and other program units has enhanced its ability to assist agency customers. HRS has also established partnerships with private sector firms, academic institutions, and non-profit organizations to deliver human capital management services.

Multiple agencies find HRS’ services, such as USA Staffing, USAJOBS, assessment tools, training, and the like, useful but expensive. Providing common, enterprise-wide technology platforms was identified as a priority service for a central human capital agency by respondents to the HR Leadership Survey administered by the study team. The importance of having a common, customer face to the public was also noted during interviews with stakeholders. Based on agency stakeholder interviews and those with HRS officials, more agencies appear to be moving to USA Staffing and USAJOBS. USA Staffing’s onboarding platform was recently recognized as a 2020 Igniting Innovation Award winner by ACT-IAC on September 3, 2020. On the other hand, assisting with acquiring human capital services ranked last on the survey in the importance of OPM providing the service. Some stakeholders asserted that acquisition is not OPM’s area of expertise, and other agencies, such as GSA, are probably better suited to providing such services. Still others, in particular small agencies, found the acquisition service helpful. OPM officials noted, however, that as part of its acquisition services, OPM provides assistance to agencies in clarifying human capital requirements and connecting them to agencies’ mission needs.

Statutory authority to charge a fee for training, technical assistance, and services has been in place since FY 1970.⁴⁴ Revolving fund authority was made more explicit and broadened through the Reinventing Government initiatives and significant government-wide budget and staffing reductions in the 1990s. As a result, the Agency has become reliant on fee-based services to fund a variety of services and internal mission support functions. Given the evolving mission of OPM and the unique value of HRS’ services, many stakeholders believe OPM should not be charging for technical assistance services while recognizing that OPM would need additional funding to do so. An overarching concern raised by stakeholders and MSPB during oversight reviews is that a conflict of interest arises when OPM offers fee-based services to help agencies implement OPM-developed policies and guidance, while at the same time it conducts oversight of these agencies. Agencies are not required to purchase the services from OPM, however; they can choose other sources for customized assistance. And, policy and oversight reside in different program units. Still, the current approach can present the appearance of a conflict of interest as HRS staff at times participate in human capital reviews led by their colleagues in MSAC with ES involvement.

Employee Services serves as the definitive source for HR policy guidance and provides agencies policy interpretation assistance. Compared to the technical assistance provided by ES, HRS’ customized services always require more time and involvement with agencies. For example, ES provides limited government-wide training to assist agencies in interpreting new policy or policy changes. When an agency requests customized training that requires a deep dive into the agency’s specific operational needs, HRS’ services become a better option according to OPM officials.

43. HRS Briefing for Dale Cabaniss, (March 19, 2019).

44. Public Law 91-189 (December 30, 1969)

However, ES will defer to HRS for any training that exceeds three hours, per OPM officials. As a result, it is often difficult, in practice, to draw a clear line between the policy interpretation support provided by ES and the customized support provided by HRS. The fee-based funding model also appears to create disincentives for ES to go above and beyond providing basic policy implementation assistance.

Many stakeholders stressed that services and assistance related to OPM’s core mission should be provided to agencies without charge—specifically, OPM’s policy interpretation support and training should be available at no-cost to agencies. As the lead in federal human capital management, OPM has the responsibility to assist agencies in interpreting complex HR rules, regulations, and policies. A salient example of desired no-cost assistance is delegated examining (DEU) training. All HR staff involved in delegated examining activities are required to be certified by OPM—the certification lasts for three years and then must be renewed. OPM currently offers a three and a half day training program at a cost of \$1,142 per participant to help HR practitioners prepare for the certification test; however, federal HR staff are reportedly not taking the training due to limited funding and resources.⁴⁵ The appropriateness of OPM charging for delegated examining training is questionable given the requirement for certification; OPM has acknowledged it has a “vested interest in training employees who can perform examining functions well and in a manner that is defensible.”⁴⁶ Moreover, DEU training in the past was provided by OPM at no charge.

In some areas, on the other hand, it may be necessary for OPM to continue to offer services on a reimbursable basis—for example, charging agencies for the use of common HR technology platforms (i.e., the USA suite) given vendors’ licensing fee structures. In addition, leadership and professional training, which is different from technical assistance, has always been available to agencies on a fee basis.

Executive and Leadership Development: Building Federal Workforce Capabilities

The lack of effective employee training and development is not a new issue for the Federal Government. In a budget constrained environment, employee training and development budgets are typically among the first to be cut. A host of studies have raised concerns about underinvestment in federal employee training.⁴⁷ The lack of capabilities and competencies has become a significant workforce issue: the need to close mission critical skills gaps has been on GAO’s high-risk list since 2011. Prior to the Reinventing Government initiative, OPM had the lead role as the Government’s trainer for the civilian workforce. OPM still has a key role as a designated provider of leadership development, particularly for the SES corps through the Federal Executive Institute (FEI), but other providers and vendors conduct the majority of training for the federal workforce.

Today, OPM’s Center for Leadership Development (CLD), housed within HRS, offers a variety of leadership and professional development programs for federal executives, managers, and

45. U.S. Merit Systems Protection Board. “Issues of Merit,” (September 2020).

46. U.S. Office of Personnel Management, “OPM Delegated Examining Certification Program Guide,” (July 2019).

47. Partnership for Public Service, *Closing the Gap: Seven Obstacles to a First-Class Federal Workforce*, (August 18, 2010).

employees at all levels. In FY 2018, 15,505 federal employees participated in CLD's leadership and professional development programs.⁴⁸ CLD plays an active role in assisting agencies in addressing existing and emerging skills gaps and developing their learning systems. For example, CLD worked with the Department of Homeland Security to offer the first pilot program for senior leaders in the area of cyber security and four SES labs on preparations for cyber-attacks. Additionally, CLD (USA Learning) and the Department of Defense (DOD) formed a major partnership to modernize the IT infrastructure to support DOD's online education system. As a part of this effort, CLD is working with DOD to develop an Enterprise Course Catalog, which will allow individual DOD components to manage their own learning materials (i.e., local catalogs) and also aggregate the information from local catalogs to a single, department-wide web portal accessible to users across the Department. The effort represents about 80 percent of USA Learning's revenues; in FY 2019, DOD represented \$112 million of OPM's USA Learning sales/agreements.

CLD's programs are uniquely designed and delivered to meet the requirements of the federal workforce. Many studies have highlighted the differences between private sector and public sector leadership. Public sector employees operate under various constraints placed by the political environment (e.g., public scrutiny and legislative oversight); a primary task for public sector leaders is to develop and maintain effective relationships with a wide range of stakeholders. Given the unique mission, culture, and tasks of the public sector, the skills and competencies required for effective public sector leadership differ significantly from the private sector. As a McKinsey study noted, "Context is a critical component of successful leadership. A brilliant leader in one situation does not necessarily perform well in another."⁴⁹ OPM officials stated that CLD's training programs emphasize addressing the distinctive situations public sector leaders encounter and focus on both "what it means to lead in the public sector" and "how to be successful in the Federal Government." All CLD's courses and programs are designed based on current literature in management, public administration, and public policy and reflect the priorities of the administration at the time.

Some stakeholders raised the issue of whether the current organizational placement of CLD as a subunit in HRS affects its ability to serve agency customers. CLD is a critical component of building federal workforce capacity. Residing in HRS limits CLD's visibility to customers. Additionally, education and training are different from the consulting services and implementation support provided by other subunits of HRS. HRS' operating model and requirements do not always fit CLD's distinctive mission. For example, as some interviewees argue, CLD is constrained by some of the HRS' operational requirements, such as business development, marketing, and sales reporting.

HR Staff Development: Capacity Building Essential to Advance Human Capital Management

The quality of an agency's human capital management largely depends on the capability of its HR workforce. In its report *No Time to Wait: Building a Public Service for the 21st Century*, an

48. HRS Briefing for Dale Cabaniss, (March 19, 2019).

49. "McKinsey Quarterly: Why Leadership Development Programs Fail," McKinsey & Company, January 1, 2014, <https://www.mckinsey.com/featured-insights/leadership/why-leadership-development-programs-fail>.

Academy Panel concludes that “federal human capital management processes cannot be modernized without simultaneously and significantly improving the federal human capital profession throughout the government. The government’s human capital professionals will, after all, be the guides for the transformation government needs, and the arms and legs for driving it forward.”⁵⁰

Federal HR staff skill levels vary across the government, and systematic training to help HR staff develop these skills is largely lacking due to diminished staffing and budgetary resources. Many studies have highlighted the need to strengthen federal HR workforce.⁵¹ For example, a MSPB study asserted that federal HR staff training is “neither systematic or deep,” and most agencies do not have comprehensive HR training plans or programs.⁵² The absence of needed training and development opportunities inhibits HR professionals’ ability to do their jobs effectively. According to the MSPB’s survey, more than one-third of agency leaders were dissatisfied with the HR outcomes and HR staff in their agencies.⁵³

The CHCO Council, with OPM, led an effort to establish HR University in 2011 to focus on HR specialists’ competencies and curriculum. However, the effort was ultimately not sustained due to lack of funding. Since the demise of HR University in 2017, OPM has assumed the lead in establishing the Federal HR Institute (FHRI) in CLD. Currently, the courses offered by FHRI are largely viewed positively by agencies. Efforts are underway to expand course offerings and ultimately to establish a certification program for HR professionals. OPM is in the process of developing a formal program based on the latest analyses of requisite competencies and career development paths. OPM officials noted that one of the priorities for FHRI in the next five years is to establish a formal federal certification program for HR professionals in government. OPM/FHRI is exploring opportunities to collaborate with external entities to develop the certification program to leverage external expertise and resources and ensure the credibility of the certification program.

Opportunities to Increase No-Cost Technical Assistance and Strengthen HR Staff Capacity

Policy implementation support is fundamental to the execution of OPM’s mission and the quality of federal human capital management. The question of what services related to OPM’s core functions should be available to agencies free of charge through appropriations must be addressed and the current fee-based funding model re-examined as OPM’s mission is redefined. While it is appropriate for OPM to charge for customized consulting services, the Panel believes that services and assistance that support agencies’ implementation of government-wide HR policies and regulations, such as policy interpretation support and training and DEU training, should be provided without cost. As discussed earlier, a principal differentiator between technical assistance provided by ES and HRS reimbursable services today is the amount of time and the level of involvement with an agency (i.e., training requests exceeding three hours are referred to HRS).

50. National Academy of Public Administration, “No Time to Wait: Part 2,” (September 2018).

51. Partnership for Public Service, *Closing the Gap*, August 2010; Partnership for Public Service, *Embracing Change: CHCOs Rising to the Challenge of an Altered Landscape*, May 2014.

52. MSPB, “The State of the Federal HR Workforce: Changes and Challenges,” 6.

53. MSPB, “The State of Federal HR Workforce.”

The Panel believes that the funding model should depend entirely on the types of services, rather than the amount of time required to provide the services.

Previous studies also identified some examples of where OPM could provide assistance without cost if appropriately funded. For example, MSPB recommends that OPM develop and provide no-cost or low-cost assessment support to enhance agencies' ability to hire the best and the brightest.⁵⁴ The Panel believes that OPM should work with Congress and the agencies to further explore opportunities to increase no-cost assistance and services to strengthen federal human capital management capabilities. OPM should also assess whether to continue providing assisted acquisition services given the usage and costs to support the program.

Improving competencies of the federal workforce through training and development is a crucial part of the government's efforts to address recruitment and retention challenges. OPM plays a unique role in helping to level the playing field by taking a government-wide approach to workforce training and development. The Federal Government needs a strong cadre of highly competent human capital professionals. Investing in staff training and credentialing will enhance the quality, efficiency, and effectiveness of federal human capital management and improve agencies' performance in the long run.

Panel Recommendations

Objective: Promote OPM's role in strategic human capital management by assisting agencies in effectively implementing federal human capital laws, regulations, and policy guidance, and enhancing federal human capital staff training.

2.7 OPM should provide no-fee technical assistance to agencies for policy interpretation, support, and related training, such as delegated examining training, to the extent consistent with OPM appropriations. (Note: OPM will require additional funding to provide no-fee technical training and assistance.)

2.8 OPM should enhance the competencies and capabilities of the federal human capital workforce by prioritizing and accelerating its efforts to upgrade the human capital competency model, institute a certificate program for credentialing staff, and expand training offerings for human capital professionals with a focus on customer service and problem solving. Steps include:

- Working actively with agencies to identify training requirements and priorities and exploring more cost-effective training options and tools that are suitable to varying agency needs.
- Leveraging external training resources and expertise to expand human capital training offerings by certifying the training programs developed and offered by agencies or external entities.

⁵⁴ U.S. Merit Systems Protection Board, Office of Policy and Evaluation, "MSPB Perspective: Building on OPM's Hiring Improvement Memo," (October 2019).

- Supporting the creation of communities of practice to share promising practices and encourage cross agency collaboration.

2D: Program Execution

Research and Demonstration Projects: Current Approach Limited in Promoting Innovative Human Capital Management

In enacting the Civil Service Reform Act, Congress expected OPM to exercise leadership by encouraging innovative management of the federal workforce and preparing the government to meet critical future challenges. The Senate Report accompanying CSRA states:

“...OPM will have the opportunity for innovative planning for the future needs of the federal workforce, executive and employee development, and pilot projects to test the efficacy of various administrative practices. Without the demands generated by a heavy day-to-day workload of individual personnel actions, OPM should provide the President, the civil service, and the Nation with imaginative public personnel administration.”⁵⁵

CSRA provides OPM specific authority to carry out research programs and demonstration projects to test new ideas and concepts in human capital management and plan for the long-term needs of the federal workforce. However, in recent years, OPM has not actively executed this statutorily mandated authority. Since the enactment of CSRA, OPM has approved seventeen demonstration projects, covering a range of hiring and recruitment practices and processes, such as pay banding, alternative selection process, pay for performance, recruitment incentives, and motivation and retention of staff.⁵⁶ Currently, OPM has just two active demonstration projects and no active research programs; there are fifteen active DOD projects that grew out of OPM approved demonstrations. OPM officials noted that the main barrier to greater use of demonstration projects is the lengthy approval process and prescriptive project requirements defined in statute. It generally takes nine to twelve months to establish a project. Title 5 specifies procedural requirements for approving a demonstration project and limits the maximum number of active projects to ten at a time. A RAND review of demonstration projects in 2020 identifies a number of statutory and policy constraints that have limited the ability of agencies to establish demonstration projects, such as the requirement to hold public hearings, the limitation on the number of employees involved in a project, and the requirement to seek approval from Congress to make demonstration projects permanent alternative personnel systems.⁵⁷

OPM is exploring other opportunities to collaborate with academia and research institutions to conduct research programs, although some challenges to collaboration exist in the area of federal data privacy and confidentiality. Some stakeholders pointed out that OPM does not advertise these types of innovation-based programs. They note that rather than encouraging agency participation to explore fresh ideas, OPM usually emphasizes the cumbersome approval process and steers agencies to other, more “efficient” options that rely on existing structures or authorities

55. U.S. Government Accountability Office, *Managing Human Resources*, GAO/GGD-89-19.

56. RAND Corporation, *Federal Civilian Workforce Hiring, Recruitment, and Related Compensation Practices for the Twenty-First Century*, (July 7, 2020).

57. Rand Corporation, *Federal Civilian Workforce Hiring, Recruitment, and Related Compensation Practices*.

to solve their problems. GAO also pointed out that OPM did not proactively encourage agencies to participate in demonstration projects.⁵⁸

An example of OPM’s initiatives to encourage innovation is the Innovation Lab (the Lab) in HRS/CLD. Established in 2012 to build human-centered design capacity across the Federal Government,⁵⁹ the Lab has assisted various agencies in solving complex problems through a combination of both classroom-based learning and project-based learning approaches. OPM is looking to expand its capacity in this area.

Benefits Programs: Overall Positive Feedback, but Attention Needed on Automating Processes

Employee benefits programs—insurance and retirement services—are housed in separate program units: Healthcare and Insurance (HI) and Retirement Services (RS). HI manages a range of healthcare and insurance programs offered by the Federal Government—including health insurance services, dental and vision benefits, flexible spending accounts, life insurance, and long-term care insurance programs.⁶⁰ To fulfill this function, HI is responsible for policy development, system development and implementation, operational support, and claims adjudication. RS carries out its responsibility to administer retirement programs through various activities, including prescribing relevant policies and regulations, maintaining records and service accounts, conducting eligibility determinations, and adjudicating annuity benefits.

The service programs offered by both HI and RS are largely viewed positively across stakeholder communities. The OPM OIG’s 2021 Top Management Challenges report acknowledges that OPM’s budgetary issues affect its ability to modernize the IT platform, process retirement claims, and manage and deliver employee benefits such as the Federal Employees Health Benefits Program (FEHB).

While concerns were raised about the timeliness of retirement processing, stakeholders were also quick to point out the complexity of the myriad retirement programs that OPM administers. They also acknowledge that many of the processing errors originate in the agencies, but agencies are often quick to point the finger to OPM for problems generated within their own domain.

Not surprisingly, widespread recognition exists of the critical need to automate the retirement process and move away from the reliance on paper, as well as the need for resources to do so. OPM’s Office of the Chief Information Officer (OCIO) is working with RS to update current automated tools such as the retirement calculator and call center system. In addition, OPM also identifies insufficient staffing capacity as a primary cause for retirement processing delays.⁶¹ OPM has taken actions to reduce the complexity and costs of administering the federal employee retirement benefit programs, a key objective in OPM’s strategic plan.⁶² For example, RS has

58. U.S. Government Accountability Office, *Federal Personnel: Status of Personnel Research and Demonstration Projects*, GAO/GGD-87-116BR, (September 21, 1987).

59. “About Us,” The Lab at OPM, <https://lab.opm.gov/about-us/>.

60. OPM, *OPM Strategic Plan Fiscal Years 2018-2022*.

61. U.S. Government Accountability Office, *Federal Retirement: OPM Actions Needed to Improve Application Processing Time*, GAO-19-217, (May 15, 2019).

62. OPM, *OPM Strategic Plan Fiscal Years 2018-2022*.

prioritized potential reform proposals to reduce costs and increase the portability of benefits and conducted cost-benefit analysis of these proposals.⁶³

In terms of healthcare and insurance programs, stakeholders note that OPM does an excellent job negotiating with insurers and providing a broad array of benefit options. Some did point to the need, from a recruitment and retention perspective, for additional offerings to keep pace with benefit options available in the private sector. OPM expressed its commitment to improving healthcare quality and affordability in FEHB program in its 2018-2022 strategic plan (Strategic Objective 1.4),⁶⁴ and identified five strategies to support this objective.⁶⁵ Officials noted that OPM has made some limited progress in improving the FEHB enrollment experience by enhancing enrollee decision support (e.g., FEHB plan comparison tools). Additionally, OPM is exploring opportunities to streamline its current decentralized enrollment administration process and phase out the remaining (about 25 percent) paper-based process to achieve greater operational consistency and efficiency. According to OPM's FY 2020 Annual Performance Report, HI completed a detailed FEHB program-wide cost analysis of its current enrollment process, worked with OCIO to enhance the capability of the FEHB Data-Hub, and began to develop the FEHB Master Enrollment Index to serve as the central source of FEHB enrollment data.⁶⁶ Once again, OPM officials stressed that inadequate staffing and funding levels are a key challenge in HI and have limited their ability to deliver its mission.

There is a long-standing debate on the organizational placement of benefit programs—should they remain at OPM or be outsourced? The overriding view among stakeholders the study team interviewed was, “If it is not broken—don’t move it.” Some external stakeholders interviewed noted that retirement and health insurance are essential components of the human capital lifecycle, and accordingly, they should reside in the agency responsible and accountable for that life cycle. For example, RS and HI work closely together to manage the healthcare benefit program for retirees (i.e., FEHB), and both functions are critical HR programs and recruitment/retention tools. Other stakeholders believe that policy should remain in OPM, but transactions could be moved or outsourced, although this would require major infrastructure changes. OPM outsourced the operations of the retirement call centers in the past. However, the costs associated with the contracts were higher than expected. RS officials stated that outsourcing of the call centers was not successful because this function is not purely transactional but rather a part of the overall process and cannot be separated from the rest of the organization.

Suitability and Credentialing: A Focus on Standards and Vetting Process Improvements

In 2019, the responsibility to conduct background investigations—suitability, fitness, credentialing, and eligibility for (1) enlistment in the military, (2) access to classified information,

63. U.S. Office of Personnel Management, *Annual Performance Report Fiscal Year 2020*, (January 2021).

64. OPM, *OPM Strategic Plan Fiscal Years 2018-2022*.

65. OPM, *OPM Strategic Plan Fiscal Years 2018-2022*, 11. Five Strategies to support Strategic Objective 1.4: 1) Increase the quality of healthcare received by enrollees in existing FEHB plans; 2) Increase the affordability of existing FEHB plans; 3) Improve the portfolio of available FEHB plans to increase the proportion that are quality affordable plans; 4) Improve the FEHB enrollment experience, to include enhanced enrollee decision support and greater efficiency in enrollment and premium administration; and 5) shape and respond to the regulatory and legislative environment to promote improvements in quality and affordability in the FEHB program.

66. OPM, *Annual Performance Report Fiscal Year 2020*, 32.

and (3) holding a position that is otherwise national security sensitive—was transferred from OPM to the Department of Defense. As the Government’s Suitability and Credentialing Agent, OPM retains the authority to develop and administer suitability, fitness and credentialing policies and standards, oversee agencies’ suitability and credentialing determination programs, provide suitability training, and perform the suitability adjudication function in cases requiring OPM involvement. OPM’s Suitability Executive Agent (SuitEA) office was established in 2016 to carry out OPM’s responsibilities in the areas of suitability and credentialing. Based on the feedback collected from CHCOs and agency stakeholders, SuitEA developed a *SuitEA Strategy Map* that clearly identifies three priorities for this office, including forming an engaged suitability community, modernizing and delivering practicable and efficient policies and guidance, and providing training and educational resources.⁶⁷

SuitEA plays an active role in promoting the efforts to improve the effectiveness and efficiency of the federal vetting process. For example, SuitEA worked closely with the Office of the Director of National Intelligence (ODNI) to implement the initiative, *Trusted Workforce 2.0*, a series of efforts to transform the federal personnel vetting model designed to support the Cross-Agency Priority (CAP) Goal on Security Clearance, Suitability and Credentialing Reform (CAP Goal 13). OPM and ODNI refined the policy framework in the *Federal Personnel Vetting Core Doctrine* to guide the development of government-wide and agency-specific vetting policies and developed an Executive Correspondence that lays out a clear roadmap to facilitate the shift to the new vetting process model, *Trusted Workforce 2.0*.⁶⁸

Changes Needed to Encourage Innovation and Support Employee Benefit Programs

OPM manages a wide range of programs and tools to facilitate the implementation of government-wide policies and guidance. Effective program execution plays a vital role in OPM’s ability to accomplish its mission. The future presents the government with an array of challenges and opportunities, and to meet these challenges as the strategic human capital management leader, OPM has the responsibility to champion efforts that encourage and sustain innovation in managing the federal workforce. OPM is required by statute to conduct a research program and authorized to conduct demonstration projects to foster creative HR solutions in government. More flexibility in the existing research and demonstration authority is needed to promote innovation in federal human capital management.

Benefits programs represent key elements of the human capital lifecycle and should be managed by the central human capital management agency. Staffing resources and efforts to invest systematically in automating the retirement process and modernizing OPM’s IT platforms are required to improve the performance of these programs. Specific actions needed to address IT systems are discussed in Section 3.

67. U.S. Office of Personnel Management, “Suitability Executive Agent (SuitEA) Strategy Map 2018-2020.”

68. President’s Management Agenda, “Security Clearance, Suitability/Fitness, and Credentialing Reform CAP Goal Action Plan,” (September 2020); President’s Management Agenda, “Security Clearance, Suitability/Fitness, and Credentialing Reform CAP Goal Action Plan,” (January 2021).

Panel Recommendation

Objective: Strengthen OPM's ability to steer efforts that encourage and sustain innovation in federal human capital management.

2.9 OPM should expand and prioritize its role in conducting human capital management research and promoting innovative management of federal workforce. Step should include:

- Working with agencies to leverage its existing authority to expand the use of demonstration projects and seek additional flexibility if needed.
- Reviewing and seeking authority to amend the statutory language in 5 U.S.C. 4703 to streamline and simplify the approval process for establishing demonstration projects.
- Improving the visibility and highlighting the value of research programs and demonstration projects to boost federal agencies' awareness of these options.

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Section 3: Supporting Functions Enabling Mission Execution

For OPM to succeed in achieving a reframed mission and transform its approach to human capital management from a strictly compliance orientation to one more value-added, data-driven, and focused on innovation and the sharing of best practices, it will require strong, effective, and efficient support functions and systems. Attention to those supporting functions is essential—they are critical foundational elements for mission execution. Among the most significant are (1) data and data analytics to inform policy and decision-making, (2) information technology and tools to support human capital activities and practices internally and across the federal government, and (3) funding/resource structures and sources that allow the agency to carry out its myriad responsibilities.

3A: Federal Human Capital Data and Analytics: A Critical Strategic Asset

Better use of data and data analytics can propel strategic human capital management government-wide. By employing data and analytics, agencies can make more informed decisions on workforce planning and talent management and identify actions needed to improve organizational and employee performance. Data can be used to inform policies and conduct efficient oversight and compliance. More importantly, it can be used to identify insights and better prepare for the future as work and the workforce evolve.

Today, OPM collects and houses an array of human capital data that could be used to identify systemic issues and inform policy, but for a variety of reasons, success in leveraging the data is limited and opportunities are lost. By embracing data and analytics, OPM can play the role of a strategic, proactive human capital leader, assisting agencies with government-wide insights and truly transforming federal human capital management. By more effectively and comprehensively sharing data with federal agencies, OPM can position those agencies to further their own human capital improvements.

Currently, OPM collects a variety of human capital data on federal civilian employees. The most salient among the data sources include:

1. Federal Employee Human Resources Integration (EHRI) data warehouse—comprises human resource, payroll and training data, and the Electronic Official Personnel Folder (eOPF).
2. USA Suite of common information technology (IT) platforms—contains recruiting and applicant data, including assessment information (USA Hire, USA Staffing, USAJobs), employee performance management data (USA Performance), and employee learning and training data (USA Learning).
3. Federal employee retirement and benefits data—comprises retirement information that is primarily collected when an employee applies for retirement benefits, in addition to information on employee health benefits and insurance, including enrollment data but not claims data.

4. Federal Employee Viewpoint Survey (FEVS)—contains data collected through an annual survey of federal employees on their work experience and views on their agency and leadership.

In addition, OPM also collects a variety of other data on agencies (and their employees) through various forums and channels, such as assessment data collected for human capital reviews and data submitted for waiver or exemption requests.

While OPM collects an extensive set of human capital data, the use of these datasets and the sharing of data with agencies are limited for a variety of reasons. For example, the information is subject to the Privacy Act and any use and disclosure must comply with the Act and implementing guidance.⁶⁹ Given the sensitive nature of personnel information and its potential for unauthorized use, there are some valid privacy concerns. Second, there are issues with the access, availability, and quality of some datasets, including lack of integration and interoperability. Finally, leadership focus and attention on the potential of data and analytics—and its impact to better inform policy, conduct more efficient and effective oversight, and enhance customer experience—are lacking.

Federal Human Capital Data Landscape

EHRI, noted above, is the integrated source of Federal workforce data including the eOPF. It comprises four primary datasets: (1) personnel/human resources (HR), (2) payroll, (3) training, and (4) retirement data.⁷⁰ It succeeded the earlier Central Personnel Data File (CPDF) which housed personnel data and actions. The CPDF was used by policymakers, agencies and oversight agencies, and researchers to inform policymaking and evaluate and assess human capital management.⁷¹

Apart from payroll, training, and retirement data, OPM provides access to the above datasets and additional analysis through a number of methods: FEDSCOPE (online data visualizations and downloads), raw dataset downloads from FEDSCOPE, downloads from data.gov and other methods, including data dumps in response to Federal or oversight agency requests. Many stakeholders do not find the user interface with FEDSCOPE to be helpful, noting FEDSCOPE is difficult to navigate. Furthermore, since payroll data is not made available, an integrated view (connected with the other data in EHRI) is not available. While GAO has found a lack of systemic internal controls leading to data quality and reliability issues with the payroll data,⁷² some elements of the EHRI payroll data could be reliably used today but are not.

The USA Suite of tools refers to a collection of platforms used across different phases of the federal employment lifecycle.

- **USAJobs** serves as a central place for applicants to search for and find federal job opportunities.
- **USA Hire** is an applicant assessment tool that measures general competencies and soft skills.

69. 5 U.S.C. § 552(a)

70. U.S. Government Accountability Office, *Federal Human Resources Data: OPM Should Improve the Availability and Reliability of Payroll Data to Support Accountability and Workforce Analytics*, GAO-17-127, (October 2016).

71. U.S. Government Accountability Office, *OPM's Central Personnel Data File: Data Appear Sufficiently Reliable to Meet Most Customer Needs*, GAO/GGD-98-199, (September 1998).

72. GAO, *OPM Should Improve the Availability and Reliability of Payroll Data*, GAO-17-127.

- **USA Staffing** is a talent acquisition system that is used to recruit, evaluate, assess, certify, select, and onboard.
- **USA Learning** is a learning management system that offers delivery of online courses.
- **USA Performance** is a performance management system that offers automation of the performance appraisal process.

Currently, USA Staffing and USA Performance share an interconnection with eOPF that allows the transmission of documents and forms directly into the federal employees' OPF folder. This has resulted in considerable efficiencies, including virtual onboarding during the COVID-19 pandemic. Connection with the other USA Suite tools provides potential benefits. If EHRI and eOPF data could be interconnected with USAJOBS profile data, federal employees could benefit from a more effective job search and application experience; it would also enhance the experience of job seekers with prior federal experience. Upgrading the connection between USA Staffing and eOPF could allow the creating or updating of an eOPF employee record.

In addition to the above datasets, OPM conducts the Federal Employee Viewpoint Survey (FEVS) each year which measures employees' perceptions of whether, and to what extent, the conditions characteristic of successful organizations are present in their agencies.⁷³ Based on the study team's HR Leadership Survey and stakeholder interviews, most agencies are increasingly using the FEVS data and find it helpful; but they also point to issues with access to more granular data (subject to privacy concerns) and the scope, length, and frequency of the survey. As a result, agencies are looking to implement their own complementary surveys.

OPM provides a few standard reports on the FEVS data each year and has issued some analytical reports in previous years on employee engagement drivers, women in federal services, millennials hiring, and the like.⁷⁴ OPM rolled out a website (see www.unlocktalent.gov) in 2013 which provided a dashboard view of some insights from the FEVS. To provide guidance on strategic human capital management in the Federal Government, OPM introduced the Human Capital Framework (HCF) in 2016, replacing the Human Capital Assessment and Accountability Framework (HCAAF).⁷⁵ While OPM has created a diagnostic tool to help agencies assess their alignment with strategic human capital management, there are no reports or assessments on the state of strategic human capital management, nor updated reports on the Global Satisfaction Index since 2017; the [Unlocktalent.gov](http://www.unlocktalent.gov) website displays a banner that it is "no longer maintained or updated since May 2020."

Currently, a consistent baseline set of workforce metrics and analyses across the Federal Government is lacking. OPM continues to miss several opportunities to better use data and analysis to inform its policymaking, including identifying future needs as the concept of work and the workforce evolve. One example of using analytics for addressing a government-wide issue is veterans' attrition.⁷⁶ OPM has the opportunity to conduct similar analyses to identify drivers for workplace challenges and develop government-wide indices. Another example is building the talent pipeline and identifying agency strategies to improve hiring of a younger workforce which

73. "About OPM FEVS," U.S. Office of Personnel Management, <https://www.opm.gov/fevs/about/>.

74. See OPM FEVS Special Reports: <https://www.opm.gov/fevs/reports/special-reports/>.

75. 5 Fed. Reg. §§ 250.201-250.209.

76. U.S. Government Accountability Office, *Veteran Federal Employment: OPM and Agencies Could Better Leverage Data to Help Improve Veteran Retention*, GAO-20-592, (July 22, 2020).

is under-represented in the federal workforce. At the end of fiscal 2018, employees under 30 represented about six percent of the federal workforce, while they constituted nearly 24 percent of the employed U.S. labor force in 2018.⁷⁷

In a similar fashion, a comprehensive view of the capacity of the federal HR workforce does not exist. As pointed out earlier, many studies have highlighted the need to strengthen the federal HR workforce. A recent Merit Systems Protection Board (MSPB) report pointed out the lack of expertise, skills, and training among HR staff in agencies.⁷⁸ However, there is very little systematic collection and analysis of data and metrics on skills, credentials, and training. Many HR specialists point to the magnitude of time spent on transactional tasks, such as processing personnel actions and data entry as opposed to serving as strategic advisors in their agencies.⁷⁹ Conducting a systematic assessment of the strategic capacity of the federal HR function could inform the training and leadership development that OPM provides through the recently instituted Federal HR Institute (FHRI).

Finally, OPM's analytical support to agencies is limited. The USA Suite of programs housed in Human Resources Solutions (HRS) have varying levels of maturity in providing analytics services to federal agencies. Officials note that they are working to expand federal agencies' access to data, build new data sources (data warehouses) to enable fast and reliable access to data, and develop new APIs to allow agencies to systematically retrieve data into their systems. During the inaugural human capital reviews led by Merit System Accountability and Compliance (MSAC), agencies identified the need to make more meaningful and strategic use of the data, in addition to tools to help with data collection, analysis, and reporting.⁸⁰ In addition to providing tools and resources, OPM can further reduce barriers and enable analytical capacity within agencies by providing government-wide human capital trends and insights, standardizing occupational definitions (e.g., the data science job series), and improving FEVS data access.

The Foundations for Evidence-Based Policymaking Act, passed in January 2019, requires agencies to modernize data management practices, building capacity to better use evidence to inform policymaking.⁸¹ It requires each agency to name a nonpolitical chief data officer by July 13, 2019 and specifies qualification requirements for the position—data officers must have demonstrated knowledge and experience in data science, management, and analysis.⁸² OPM has named an acting chief data officer—the Chief Management Officer is serving in the role—but has taken no action to fill the position permanently. This is a critical leadership position that needs to be filled given the importance of, and potential for, data to transform federal human capital management.

77. "Federal Figures 2019 – A Snapshot of the Federal Workforce," Partnership for Public Service, (August 13, 2019).

78. MSPB, "The State of the Federal HR Workforce: Changes and Challenges."

79. MSPB, "The State of the Federal HR Workforce: Changes and Challenges."

80. U.S. Office of Personnel Management, *Fiscal Year 2019 Human Capital Reviews Report*, (March 2020).

81. Foundations for Evidence-Based Policymaking Act of 2018, Pub. L. 115-435 (2019).

82. Foundations for Evidence-Based Policymaking Act of 2018. "The Chief Data Officer of an agency shall be designated on the basis of demonstrated training and experience in data management, governance (including creation, application, and maintenance of data standards), collection, analysis, protection, use, and dissemination, including with respect to any statistical and related techniques to protect and de-identify confidential data."

Challenges in Sharing HR Information and Data

Federal HR information technology (IT) systems present many similar challenges with those of broader federal IT—legacy and antiquated technologies, processes, and systems, together with a lack of standards to share information across systems.⁸³ As a result, many of the federal human capital systems are not interoperable, thereby creating numerous inefficiencies. Federal HR professionals continue to use these antiquated systems; and coupled with stringent compliance and reporting requirements, automating processes is challenging. Moreover, HR technology systems do not enhance the employee experience, and many are still paper based, with limited options for employee self-service.

OPM's role in Federal HR IT is through the Human Resources Line of Business (HRLOB) which was established as one of the e-gov initiatives in 2004. HRLOB was created to develop government-wide standardized and interoperable human resources solutions.⁸⁴ Through the HRLOB program, OPM is working to transform government-wide HR information technology using an enterprise approach, governance, and management to improve integration and interoperability of HR systems and promote the use of shared services. OPM recently adopted an enterprise-wide approach to data by creating a new Human Capital Data Management and Modernization Directorate. The priorities for the office include establishing data standards and improving data quality and timeliness; a critical element for focus here is to establish data standards and modernize the eOPF—all necessary elements to enable analytics.

In support of the Federal Government's move towards centralizing mission-support services and as part of the President's Management Agenda of sharing quality services, Office of Management and Budget (OMB) identified Quality Service Management Organizations (QSMOs) for several mission-support functions to promote standardization, reduce duplication, reduce operating costs, and increase customer satisfaction in the long-term.⁸⁵ While QSMOs offer technology and services in functional areas, the designated Standards Lead is charged with developing standards for the particular mission-support function. OPM is the designated standards lead for Civilian HR Transaction Services. In that role, it is responsible for defining government-wide human capital standards.

Harnessing Opportunities to Improve the Quality and Use of Data and Data Analytics

OPM has a significant opportunity to both use and enable the use of data and analytics as key drivers in strategic human capital management, given that it collects myriad data on the federal civilian workforce across the employee lifecycle, from recruiting to employment to retirement. By connecting these datasets and using analytics, OPM can develop key insights on the federal workforce and, most importantly, insights for the future. Improving the quality of payroll data, developing standards, making the data available, and integrating the data with the rest of EHRI

83. Note: Federal HR IT was beyond the scope of this study; the focus here is on OPM's role through the Human Resources Line of Business (HRLOB) program to improve the integration and interoperability of HR systems.

84. "Presidential Initiatives: Human Resources Management – Human Resources Line of Business," E-Gov, <https://georgewbush-whitehouse.archives.gov/omb/egov/c-6-4-human.html>

85. "Centralized Mission Support Capabilities for the Federal Government," Office of Shared Solutions and Performance Improvement, General Services Administration, <https://ussm.gsa.gov>. Designated offices include cybersecurity, grants management, compensation management, work schedule and leave management services.

will allow analysis of the relationship between demographics and pay disparities, employee engagement and telework, and others. By integrating HRS' USA Suite of systems with eOPF, OPM could better enable the federal government to evaluate the overall effectiveness of end-to-end human capital management including recruitment, hiring, appointing authorities, length of service, performance, and training. Interconnecting the data from these systems would enable additional insights and create efficiencies. To illustrate, integrating USAJobs data would enable hiring managers and HR professionals to analyze attrition, performance, and length of service data that would, in turn, inform recruitment, assessment, and succession planning strategies; it would also enhance the candidate employee experience (e.g., allowing federal employee applicants to bring in validated service history). Data from USA Learning could enable eOPF to capture an employee's training and development history over time, while data from USA Staffing could be used to create a new eOPF record based on the stored profile information.

Building on these sets of interconnected datasets, OPM can leverage analytics to develop key insights on the federal workforce such as:

- The capacity of the federal human capital function across the Federal Government. Providing agencies tools and resources to assess the capacity and capability of the human capital function within agencies, such as the skills and competencies of agency HR professionals, will enable OPM to provide an aggregate, government-wide picture of the HR function.
- Federal workforce health. This includes employee engagement, attrition, skills gaps, training, and the like. Assessment could drive OPM's policy development and refinement (for example, building the talent pipeline with a focus on attracting a younger workforce and addressing veterans' attrition).
- Emerging workforce needs of the future given changes in how work is carried out, the concept of work, and the composition of the workforce itself. This includes a strategic assessment of federal workforce needs, especially as agency missions and technologies evolve. Automation, artificial intelligence, digitization, and most recently, the impact of COVID-19 (which may permanently change the way work is carried out) affect the nature of work and workforce composition (e.g., more freelancers/gig workers, crowdsourcing), while evolving concepts of what constitutes a "career" will have major implications for attracting and retaining the workforce needed to address complex national problems.

OPM must provide more granular FEVS data to agencies and explore ways to expand the scope of the FEVS (e.g., including part-time seasonal employees). While there are valid privacy concerns with providing granular FEVS data, OPM must explore means to reduce the risks, such as anonymization of data, using synthetic data, and the like. In addition, it must consider forward-looking alternatives for how to provide access to data (e.g., data-as-a-service) as opposed to canned reports.

OPM has an opportunity to use data, data analytics, and emerging technologies as a resource multiplier. As an example, OPM could have agencies publish data and information on key metrics, with periodic updates. It could review specific areas of merit system compliance and human capital management, including the use of delegated authorities and exemptions. This concept is not new. In fact, the National Performance Review in 1994 had earlier identified how accountability measures can be automated to monitor delegated personal management

authorities by using a variety of data sources, such as the CPDF (now EHRI) and a survey of federal employees.⁸⁶ Agencies could publish data on their competitive and diversity recruitment, veterans' preference, fair and equitable treatment of employees, and use of exemptions, among others. This data, in conjunction with other data from EHRI, the USA Suite, and the like could be used as indicators of accountability. In addition, this transparency in data could potentially help with streamlining the timeline for the annual human capital reviews which now start in November, and end with feedback provided to agencies in June-July of the following year.⁸⁷

Using automation and artificial intelligence, OPM can improve its processes and reduce the administrative burden on itself and other agencies. For example, case reviews and evaluations have checklists for their compliance evaluators, which could be automated with a bot (AI). All these actions will require investments in technology and an incremental, agile approach to pilot, test, iterate and implement, including identification of the required skillsets to implement successfully. Finally, OPM should continue and expand its partnership with the General Services Administration's (GSA's) 18F program and the U.S. Digital Services to test innovative concepts (an approach that has worked well elsewhere in federal agencies) and bring them into OPM. As an example, OPM, GSA, and U.S. Digital Services recently announced a Hiring Selection and Outcome Assessment Dashboard.⁸⁸

As the future of work and the workforce evolve, federal HR IT needs to transform into a truly integrated, end-to-end solution to provide efficient service delivery and enhance the employee experience. Adopting a government-wide approach provides several potential benefits, such as cost efficiencies, improving service delivery and performance, and reducing risk.⁸⁹ The establishment of a common business architecture (the Human Capital Business Reference Model) is a step in the right direction. However, it needs a clear implementation plan, and more importantly, it needs to be used as a unifying framework and lens for government-wide human capital policy, processes, and technology. The supporting governance, standards, and service management functions and activities published by the Unified Shared Services Management (USSM) are necessary drivers and enablers. As the designated standards lead for HR, OPM has a critical role given that standards are a fundamental, underpinning component to enable true HR IT transformation, and ensure interoperability. As opposed to developing standards for the entire human capital management lifecycle as the starting point, OPM may benefit from adopting an agile, incremental approach by focusing on one to three functions or activities and implementing standards with feedback loops to identify lessons learned and best practices.

Panel Recommendations

Objective: Enable and realize the untapped potential of federal human capital data and data analytics as key drivers and assets in strategic human capital management.

86. "Reinventing Human Resource Management, HRM12: Eliminate Excessive Red Tape and Automate Functions and Information," National Performance Review, <https://govinfo.library.unt.edu/npr/library/reports/hrm12.html>.

87. U.S. Office of Personnel Management, *Human Capital Reviews*, (May 2018).

88. "Hiring Assessment and Selection Outcome Dashboard," Enterprise Data Management Office, General Services Administration, <https://d2d.gsa.gov/report/hiring-assessment-and-selection-outcome-dashboard>.

89. "Federal Shared Services, State of Federal IT Report," Federal Chief Information Officers, <https://www.cio.gov/assets/resources/sofit/02.04.shared.services.pdf>.

3.1 OPM should initiate efforts to (1) improve the quality of the federal human capital data it collects, provide an integrated view of the federal workforce, and standardize the functional, operational, and data components of the human capital management lifecycle, and (2) broaden the availability and accessibility of the data it provides to agencies and the public, in addition to providing tools to help agencies with data collection, analysis, and reporting.

3.2 OPM should establish a systematic approach and process to measure and track the state and capacity of the federal workforce. Steps should include:

- Developing and tracking a baseline set of metrics to assess the health of the federal workforce along key dimensions—recruitment, hiring, skills gaps, attrition, among others—and emerging and future workforce needs.
- Systematically assessing the strategic capacity (skills and competencies) of the federal human capital workforce and identifying actions needed to build the skills and competencies needed to carry out strategic human capital management in support of the federal workforce.

3B: OPM’s Information Technology: The Need for Modern and Secure Systems and Tools

For OPM to be successful in its mission and effectively carry out its government-wide functions of developing human capital policy, performing oversight and administering benefit programs, it needs a capable and modern technology infrastructure. OPM’s technology environment is a hybrid that includes an infrastructure that supports its internal employees and systems, tools, and applications that support its external customers, including federal agencies (e.g., USA Suite, EHRI and others), federal employees and annuitants (e.g., Retirement System, Employee Express and e-learning/training tools), and the public (e.g., USAJobs). Building on a modern information technology infrastructure and using emerging technologies, OPM can use technology as an enabler for not only providing efficient government-wide services but also transforming the customer experience.

Over the years, OPM has initiated a number of largely unsuccessful technology modernization efforts. Two primary examples with significant government-wide impact include:

- Retirement Systems Technology Modernization—The technology systems and tools used to process retirement benefits for federal civilian employees rely on outdated technology. Processing retirement actions today still involves paper processes despite OPM’s attempts over the past few decades to modernize the technology platforms supporting federal civilian retirement systems. The Government Accountability Office (GAO) identified IT management weakness as a root cause in OPM’s failed modernization attempts.⁹⁰
- Employee Digital Record—OPM designated developing an employee digital record to replace the eOPF by September 30, 2020 as a strategic priority. However, the effort was abandoned in early 2020 without identifying a replacement or alternate plan.

90. U.S. Government Accountability Office, *Federal Retirement: OPM Actions Needed to Improve Application Processing Times*, GAO-19-217, (May 2019).

Outdated, Antiquated Technology Environment

Not surprisingly, the state of OPM’s technology environment is the subject of a number of GAO and OPM Office of Inspector General (OIG) reports. Among priority open recommendations, GAO has highlighted the need to strengthen controls over the agency’s IT systems, in addition to improving data availability and quality of the EHRI system.⁹¹ Recent OPM OIG reports have pointed to the need for modernization and transformation of its legacy, mission-critical applications, and outdated infrastructure and processes.⁹² In addition, earlier reports highlighted challenges with OPM’s information security and IT infrastructure.⁹³ Recently, the Office of the Chief Information Officer (OCIO) contracted with McKinsey for an independent IT Assessment in September 2019 to examine its current state and develop a roadmap for IT modernization. The review recommended a phased approach focusing on stabilizing, securing, and then modernizing OPM’s IT environment.⁹⁴

Technology challenges encompass the core IT infrastructure that runs all OPM mission-critical IT applications. For example, two primary mainframes were in a flood zone with no fail-over capability and untested disaster recovery until they were successfully transitioned with backup in summer of 2020. Retirement Services still relies on paper-based processes despite multiple technology modernization attempts. The Federal Annuity Claims Expert System (FACES) calculator application, an automated tool used to determine the retirement benefits for federal retirees, is based on end-of-life technology with no audit trail or disaster recovery process.

Certain major events have amplified the impact of the above challenges in a significant manner; among them, the 2015 security breach was the most significant. The breach forced OPM and the OCIO to shift focus and divert all resources to address the fallout from the breach. At the same time, Congress transferred the background investigations function from OPM’s National Background Investigations Bureau (NBIB) to the Department of Defense (DOD). Since OCIO was unable to serve as an efficient internal service provider over the past few years, shadow IT functions have grown across OPM and continue to perpetuate a fragmented approach.

Currently, OCIO continues to support the background investigation function as a service provider to DOD’s Defense Counterintelligence Security Agency (DCSA). This ongoing technical support to DCSA is burdensome. It demands considerable OCIO management attention, as well as technical and customer support from OCIO staff, increases the risk posture for OPM, and distracts management attention from OPM IT priorities.

All these factors—the outdated technology environment and multiple modernization attempts, together with the transfer of NBIB which created a significant funding shortfall (discussed below)—were identified as key drivers behind the proposed merger with the General Services Administration (GSA). It is not surprising that OPM’s IT challenges resulted in internal and external customer dissatisfaction. OPM’s program units which support government-wide services

91. “Priority Open Recommendations: Office of Personnel Management,” GAO-19-322SP, Gene L. Dodaro, U.S. Government Accountability Office, (April 3, 2019), (<https://www.gao.gov/assets/700/698381.pdf>).

92. U.S. Office of Personnel Management Office of the Inspector General, *Top Management Challenges: Fiscal Year 2021*, (October 16, 2020).

93. U.S. Office of Personnel Management Office of the Inspector General, *Top Management Challenges: Fiscal Year 2020*, (January 30, 2020).

94. U.S. Office of Personnel Management internal document: IT Assessment, (September 2019).

and which rely on the OCIO as a service provider, have expressed the need for better customer experience, support, and modern technology systems.⁹⁵ And, while customers are generally satisfied with retirement benefits, a common theme highlighted during stakeholder interviews (representing agencies, employee unions and associations, congressional staff and the Office of Management and Budget [OMB]) was the need to prioritize the modernization of the systems supporting retirement processing and services.

Lack of Consistent IT Leadership and Effective IT Governance: A Chronic Problem

OPM's OCIO has experienced high turnover in the CIO position together with critical IT leadership vacancies and a high number of IT staff vacancies. The most recent CIO—who on March 9, 2021 was appointed as new Federal CIO and has since moved to OMB—was the 7th CIO since 2013. Per early conversations in the study with officials, OCIO had approximately 100 vacancies representing a vacancy rate across the organization of approximately 40 percent based on 247 approved full-time equivalents (FTEs). As an example, in December 2019, all the direct line report positions to the CIO were vacant in addition to key staff vacancies in each line unit. The security breach created significant challenges to the staff morale and hindered the OCIO organization's ability to recruit IT talent; declining staff morale was further compounded by the proposed merger with GSA. This attrition also impacted enterprise priorities such as the employee digital record.

Insufficient resources hampered OCIO in a number of ways. For example, OCIO was unable to proactively engage its business partners on IT investment planning and to effectively support agency-wide IT reviews. The IT Investment Review Board just restarted in January 2021 after a hiatus of several years as OCIO had insufficient staff to support these activities. Moreover, resource constraints have impacted diligent tracking and reporting of IT investments. To illustrate, there is variance in the IT budget presented in recent Congressional Budget Justifications (CBJs) compared to what is reported on the IT Dashboard. The FY 2021 CBJ reports an enacted budget of approximately \$319M for FY 2020, while the IT dashboard reports approximately \$147M.⁹⁶ According to OPM officials, the discrepancy reflects delays in staff's ability to keep the dashboard up-to-date and reconcile accounts.

Over the years, OPM has failed to follow OMB's capital planning and investment control processes, including developing a sound business case for modernization initiatives and has lacked an effective IT enterprise approach, resulting in a fragmented and complex system. These factors, in addition to constraints in funding and lack of effective project management, and in combination with failed modernization efforts, have contributed to an antiquated technology environment. The security breach diverted management attention and focus and took funding away from much needed critical IT modernization efforts, in turn, generating substantial risk to the entire organization.

95. Summary findings from an IT Assessment conducted by an independent contractor in December 2019.

96. *U.S. General Services Administration and U.S. Office of Personnel Management: FY 2021 Congressional Justification*, General Services Administration, (February 10, 2020)

https://www.gsa.gov/cdnstatic/GSA_FY2021_Congressional_Justification.pdf; "Office of Personnel Management: Information Technology Agency Summary," Clare Martorana, <https://itdashboard.gov/drupal/summary/027>.

Findings from the McKinsey independent IT assessment pointed to considerable variance in how IT costs are tracked and reported internally across OPM based on the underlying data sources, creating a lack of transparency. This hinders the ability to standardize services and provide transparent pricing to OCIO's internal customers for IT common mission support services.

OPM's Customer Facing Website: Customer Focus Needed

As the authoritative source for Federal human capital policies, programs, and services, it is imperative that OPM's website provide easy access to information that is clear, current, and easy to find for all its audience groups which include agency HR professionals, federal employees and annuitants, and the general public. Each audience group has its own information needs. HR professionals and federal employees visit the website to find the most current OPM policy and guidance on various issues, while applicants rely on the website to learn about career opportunities and benefits.

Unfortunately, the OPM website is neither user-friendly nor user-centric. It is hard to distinguish information that is intended for HR professionals versus federal employees or the public. Further, it is not clear that the website makes use of website feedback tools and mechanisms to collect user views, a commonly accepted best practice. While some associated sites are more user friendly—e.g., Veterans Services—FedsHireVets.gov—these sites also have pages with outdated information.

Overall, the OPM website is difficult to navigate, not well organized, and lacks an integrated design. Links are not provided from organizational charts to the actual program units, and many links immediately take the user out to other sources such as the Federal Register without accompanying context. Moreover, information is often not current; in some cases, documents and pages have not been updated in years, and most of the pages do not have information on when they were last updated. For example, a visitor using an external search engine may land on and view OPM content pages, unaware and unable to determine if the content is current or outdated. Finally, the internal search engine is quite limited and does not help the visitor readily locate current information. OPM.gov does not rank as the authoritative source on the primary external search engines as content is not structured or optimized for them.

Recent Efforts to Address IT Issues

OPM's OCIO has taken some key steps to fix OPM's IT challenges, adopting a phased approach of stabilizing, securing, modernizing, and transforming. The initial phase has focused attention on stabilizing the core IT systems—migrating the mainframes, filling critical IT vacancies, and replacing obsolete employee equipment among other priorities. The CIO has also established a key partnership with GSA's Centers of Excellence to bring in required expertise in key technology areas. As OPM's OIG noted in its 2021 Management Report, OCIO has developed a persuasive vision with a detailed plan to successfully see it through.⁹⁷ Based on the study team's review, it appears that OCIO has made considerable progress addressing IT deficiencies during the last 2-3 years. To illustrate,

97. OPM Office of Inspector General, *Top Management Challenges: Fiscal Year 2021*.

- OPM’s Federal Information Technology Acquisition Reform Act (FITARA) scorecard which measures the management effectiveness of IT in an agency improved from a D+ in 2017 to a C+ in 2020.⁹⁸
- Through prioritized management attention, the mainframe migration and OPM/NBIB System decoupling, critical and foundational elements of the stabilization plan, were accomplished 2.5 months earlier than scheduled.
- OPM received Coronavirus Aid, Relief, and Economic Security (CARES) Act emergency supplemental funding to prevent, prepare for, and respond to coronavirus, including the purchase of needed technology and tools to support the OPM workforce in carrying out its responsibilities. Using an enterprise approach, with intra-agency teams and supported by agency leadership, OPM prioritized investments to implement enterprise solutions to ensure telework readiness and digitization of manual, paper-based operations. This effort was instrumental in helping the agency successfully rely on telework during the pandemic.
- As part of the Retirement Services Call Center Spike, and using an agile, incremental approach (five weeks in duration), OPM reduced sign-in failures by 47 percent and reduced claim number formatting failures by 99 percent.
- Through focused attention on the workforce, OCIO has filled key leadership vacancies and has significantly reduced the number of vacancies in OCIO. (A recent organizational chart showed 208 positions filled out of the 247 approved FTEs—a marked difference from early 2020 where the OCIO had more than 100 vacancies.)
- A refocused customer orientation has resulted in improved employee satisfaction with IT. As an example, the average satisfaction score for IT services quality among OPM employees improved from 3.8 (FY 2015) to 4.97 (FY 2020) on a scale of satisfaction response ranging from 1 (strongly disagree) to 7 (strongly agree).⁹⁹

Information Technology: Ongoing Organizational Commitment and Support Required

To be successful in the future, OPM must embed technology as a key driver and enabler in the organization. It must transform its IT operating model into one which is based on innovative use of technologies, adopting an enterprise approach and mindset, and a focused customer and service orientation. Technology modernization must be a priority for Agency leaders and the OCIO, and adequate funding and flexibility provided to the OCIO to manage resources and priorities.

OPM has the opportunity to use technology as a key driver in four key areas:

- Developing a modern data architecture and analytical platform (as discussed earlier);
- Creating a seamless customer experience for the federal workforce from recruiting to retirement by modernizing government-wide shared systems such as EHRI, retirement and benefits, and the USA Suite of shared systems;
- Transforming government-wide HR IT through the HRLOB; and

98. FITARA 10.0: Hearing Before the Subcommittee on Government Operations, House Committee on Oversight and Reform, 116 Congress, (August 2020). <https://oversight.house.gov/legislation/hearings/hybrid-hearing-on-fitara-100>

99. OPM Mission-Support Customer Satisfaction Survey. 2020.

- Improving internal services for its employees.

To support this transformation, OPM must ensure that a strong IT governance and management framework is in place with a clearly articulated enterprise IT strategy, an enterprise architecture, IT investment and performance management with IT spend visibility, and rigorous, continuous attention to IT security and privacy. It should include strong succession planning at all key levels of leadership within the OCIO. OCIO must build on its recent progress and prioritize the following key activities:

- Adopting sound project management for managing and measuring IT investments and their performance, including modernization initiatives.
- Conducting regularly scheduled IT Investment Review Board meetings to plan for and track enterprise IT investment spend, including those that are less than \$250,000.
- Standardizing and streamlining how IT costs are reported across OPM which vary today based on the data source that is used.
- Expanding the use of agile techniques and pilots for IT modernization initiatives, for both acquisition and development.
- Working with OPM leadership to secure organizational commitment to the vision and working with OMB and Congress to proselytize this vision.
- Working as a true partner with customers, adopting a service-orientation, and providing transparency in costs and pricing by developing and using an IT service catalog.¹⁰⁰

OPM can benefit from its continued partnership with GSA’s Centers of Excellence to maintain the momentum of progress in its recent IT projects. OPM should also consider establishing an IT advisory group, composed of public sector and private sector leaders with specific experience and expertise in human capital systems and modernization. (This group could be subcommittee of the Human Capital Advisory Committee discussed in Section 1.)

OPM must refresh the OPM.gov website to be consistent with the modernization principles outlined in the 21st Century Integrated Digital Experience (IDEA) Act to ensure it is accessible, consistent, authoritative, searchable, secure, user-centered, customizable, and mobile-friendly.¹⁰¹

Most importantly, to successfully modernize OPM’s technology to support mission execution and government-wide human capital management, OCIO will require much needed funding and support from agency leaders, OMB, and the Congress. OPM must also address the issue of providing ongoing support to DCSA as it distracts management attention and focus. It puts OPM and OCIO in the role of a service provider—a role for which OPM is not well suited and which should not be a management focus given its other IT priorities. OPM leaders and OCIO should work with OMB and Congress to develop a clear, agreed-to transition plan, conduct a detailed assessment of the impact, and establish a true transition and sunseting timeline that includes validation of archived data, records retention and litigation adjudication, and hardware decommissioning and disposal. The transition should be a focus for both OMB and Congress as

99. OPM has initiated efforts by adopting the technology business management framework, as part of the agency-wide Enterprise Cost Accounting System (ECAS) upgrades.

101. “21st Century Integrated Digital Experience Act.” Technology Transformation Services, General Services Administration, <https://digital.gov/resources/21st-century-integrated-digital-experience-act/>.

well, as they should provide the necessary oversight to ensure deadlines and milestones are successfully met.

Panel Recommendations

Objective: Transform OPM’s human capital technology platforms and enhance the experience of OPM’s customers and employees.

3.3 OPM should prioritize IT modernization and seek funding from Congress to modernize the eOPF and develop an employee digital record, upgrade technology systems supporting the federal retirement programs, enable a modern human capital data and analytics platform, and transform its website to be both user-centric and user-friendly.

3.4 OPM should work with OMB and Congress to develop a clear, agreed-to plan to transition and sunset its ongoing IT operational support to DCSA, based on an assessment of the impact on OPM’s IT budget and enterprise priorities.

3C: Funding: Structure and Level Hinder Agency Performance

Over the years, constrained funding and a fragmented funding structure have hampered OPM’s mission performance. Weaknesses in resource planning and management, and a lack of transparency in the budget development process have further contributed to the problem. To evolve to a stronger strategic human capital leadership role that encourages innovation, promotes data and data analytics, and cultivates a skilled and agile workforce, OPM will need to address these persistent funding and resource barriers to mission performance.

Sources of Funding Authorities

In FY 2020, OPM’s total budget was \$1.4 billion. OPM’s budget draws on three sources of funding authority:

1. OPM Discretionary authority—budget authority provided at the discretion of Congress, including:
 - general funds for obligation under the Salaries and Expenses (S&E) account; and
 - transfers from the Earned Benefits Trust Funds for obligation under the Trust Fund Annual account to pay for the cost of administering benefits programs.¹⁰²
2. Mandatory authorities—statutory authorities providing for OPM to draw funds from the Earned Benefit Trust Funds to pay for the cost of administering *specific* activities.¹⁰³

102. The Office of Personnel Management (OPM) administers the Earned Benefits Trust Funds including: Federal Employees Health Benefits (FEHB); Federal Employees’ Group Life Insurance (FEGLI); and Civil Service Retirement and Disability Fund (CSRDF). These funds reflect a mix of employee and government contributions.

103. Several provisions under title 5 of the U.S. Code (U.S.C.) and the Federal Erroneous Retirement Coverage Corrections Act (FERCCA) authorize OPM to administer specific retirement program and insurance activities, and to transfer funds for the administrative cost of these activities from the Trust Funds. These authorities provide additional administrative transfers from the Trust Funds. Per 5 U.S.C. §8348 (a)(1)(B), OPM incurs expenses from Civil Service Retirement and Disability Fund for the following activities: Administering survivor annuities and elections (§8339 and §8341) and other annuity alternatives (§8343a and §8420a); making discretionary allotments and assignments and withholding State income taxes on monthly annuities (§8345(k) or §8469) upon annuitant request; and withholding taxes pursuant to section 3405 of Title 26 or section 8345(k) or 8469 of this title.

3. Revolving Fund authority—OPM has statutory authority to charge fees for a range of services provided to other federal agency customers. Revenues generated by these fees are managed through the Revolving Fund.

The amount of OPM’s discretionary budget authority is determined by Congress through the appropriations process within overall limits on discretionary spending. For FY 2020, the total discretionary budget for OPM was almost \$299.8 million (excluding funding for the Office of the Inspector General), with a little over half (\$154.6 million) coming from discretionary transfers. These funds are appropriated in lump sum amounts; funds are generally not programmed for specific functions or programs.

In addition to discretionary transfers, OPM can draw funds from the Earned Benefit Trust Funds under mandatory authorities that provide for transfers to pay for specific types of expenses related to the administration of federal employee benefits programs. (Mandatory transfers were \$67 million in FY 2020.) OPM determines the amounts of mandatory transfers subject to the approval of OMB. The allocation of Revolving Fund dollars (\$857.2 million in FY 2020) is not subject to review by OMB.

Funding of Mission Functions: A Mix of Funding Streams and Resource Constraints

OPM’s funding streams generally align with different OPM mission operations. Mission programs administered by Employee Services (ES) and Merit System Accountability and Compliance (MSAC) are funded entirely through S&E appropriations, while the administration of OPM’s federal employee benefits programs is funded primarily through a combination of discretionary and mandatory Trust Fund transfers. Retirement Services (RS) and Healthcare and Insurance (HI) are funded entirely through Trust Fund transfers. Human Resources Solutions (HRS), on the other hand, is funded entirely through the Revolving Fund.

OPM’s core human capital functions are funded through a combination of funding models. With the Reinventing Government initiatives and related Congressional actions in the 1990s, services and a range of technical assistance (e.g., candidate assessments, workforce planning) supporting the execution of core human capital mission functions were transferred from appropriations to a fee-for-service model. Remaining core human capital mission functions (policy and oversight) administered by ES and MSAC are funded through the S&E appropriations account.

The successful performance of OPM’s policy responsibilities depends on the willingness and ability of agencies to implement these policies appropriately. The current funding arrangement has hindered mission performance by limiting the provision of supporting services and technical assistance to the ability of agencies to pay. A consistent theme of stakeholder interviews is that the fee-for-service model has created “haves” and “have-nots,” with smaller agencies often not able to afford human capital services provided through OPM.

Funding for OPM offices responsible for core mission functions—human capital policy development (principally, ES) and compliance with merit system principles (MSAC)—has been in decline since the Reinventing Government initiatives. This decline in funding and corresponding decline in staffing of these core mission functions has been a recurrent focus of annual reports issued by the Merit Systems Protection Board (MSPB), which has statutory responsibility for

reviewing OPM’s significant actions. Since FY 2005, staffing of MSAC’s core function has declined by 68 percent – from 95 to 31 evaluators. In the last five years (FY 2015 – FY 2020), on-board staffing of ES and MSAC have declined by 30 percent and 25 percent, respectively. MSAC has experienced the hardest hit by staffing declines given its smaller size, with an attrition rate of seventeen percent compared to ten percent for ES.

Extensive interviews with external stakeholders yielded a consensus view that OPM has lacked sufficient funding to carry out its core mission responsibilities. MSPB has repeatedly identified underfunding as an issue in its oversight reports of OPM. In the case of MSAC, the loss of evaluators since FY 2005 (noted above) was accompanied by a sharp decline in evaluations of agency compliance, which dropped from 200 to less than 100 per year. In the case of ES, OPM reports that the reduced staffing has resulted in longer wait times for policy guidance. However, the impact is difficult to assess given the diversity of policies that ES must develop. More generally, given that the demands imposed on OPM by various mandates have only increased over time, it is difficult to conclude that declining funding has not strained the ability of OPM to carry out its mission responsibilities.

Funding of Common Services: Limitations in Internal Methodology for Funding Mission Support

OPM maintains an internal “common services” fund to finance administrative, financial, and overhead functions.¹⁰⁴ To finance common services, the Office of the Chief Financial Officer (OCFO) assesses each of OPM’s three sources of funding authority: OPM Discretionary, Mandatory, and Revolving Fund. Common services for nine operational offices are supported by the fund. There are two bases for distributing costs calculating the proportional contributions to common services. For each of the offices supported by the common services fund, the methodology considers: (1) FTEs; and (2) Revenue. The FTE funding basis proportionally distributes the common services budget amounts based on the prior years’ work hours. The Revenue funding basis proportionally distributes the amount based on revenue earned adjusted by Object Class 25 items (i.e., other contractual services such as advisory services) used the prior year. Individual OPM programs are not billed for common services. The common service budgets are taken off the top of OPM’s funding sources.

An independent IT assessment completed by McKinsey for OPM in December 2019 found a substantial mismatch among OPM programs between their contribution to IT common services and their consumption of IT common services in FY 2019. With the exception of HI, OPM programs under-contributed. Just one program, National Background Investigations Bureau, contributed \$39.1 million to IT common services compared to \$21.5 million by the rest of OPM, a difference of \$17.6 million.

Following the transfer of NBIB to the Department of Defense, McKinsey projected a shortfall in funding for IT common services of \$17.6 to \$25.7 million per year over three years for a total of \$53–\$77 million, the range being contingent on the OPM’s ability to scale its IT requirements for its new, smaller, post-transfer size (2,686.9 FTEs in FY 2020 compared to 6,254.5 FTEs in FY

104. This description of OPM’s common services fund is based on internal documentation provided by OPM. The discussion of common services funding for the OPM Office of Inspector General is omitted as this paper is focused on OPM’s mission programs.

2019). The high-end of this estimate is built into a buy-back services agreement with DOD for FY 2020, but failing an extension of the agreement going forward, a significant short fall was expected. The McKinsey report recommended that OPM move to a consumption-based approach to budgeting IT common services. The study team was told that OPM is beginning a phased implementation of a consumption-based approach, using HRS as a model.¹⁰⁵ Full implementation is expected by FY 2023.

Leaving aside the limitations of OPM's common services budgeting methodology, OPM faces significant shortfalls in funding common services with the transfer of NBIB to DOD. NBIB accounted for over 80 percent of all Revolving Funds in FY 2019, providing well over half of OPM's total common services budget. In the Administration's 2019 Business Case for the proposed merger of OPM with GSA, it was estimated that the transfer would create an initial funding gap of up to \$70 million in FY 2020, when most investigative services were to be transferred to DOD (with the remainder following in FY 2021). This gap was partially addressed as a component of a broader one-year services buy-back agreement with DOD to fund a range of services that OPM would provide including technology, procurement, facilities, and financial management services to enable the background investigation mission at DOD. This \$144 million agreement included a total of \$35 million for common services, with \$25.7 million of that for IT common services. This left half of the shortfall to be addressed through additional S&E appropriations. A similar gap, as well as the possibility of a reduced buy-back agreement resulting in a still larger gap, was the focus of planning for a supplemental request in FY 2021. The final estimated gap in common services funding for FY 2021 is \$77.5 million. This gap is addressed in part through a revised DOD buy-back agreement, totaling \$86 million. This smaller agreement, reflecting a reduction in services to be provided by OPM included \$23.8 million for common services. OPM reports that it was able to further reduce the gap by \$24.5 million through a mix of actions, including a reduction in operational costs across the agency.¹⁰⁶ Also, OPM received an additional \$30 million in appropriations for FY 2021, which will cover the remaining \$29.2 million of the estimated gap. OPM has confirmed that there will be a buy-back agreement for FY 2022, but the value of this agreement is not known at this time. In the meantime, OPM is taking steps further reduce costs by adjusting its common services infrastructure to reflect the requirements of a much smaller organization. However, the costs associated with providing these services are to a large extent fixed in the near term.

Budget Development and Appropriation Processes: Opportunities for More Efficient and Effective Resource Management

Funding trends and expert assessments discussed earlier provide broad indicators of underfunding. However, requests for increased funding should be based on requirements analysis and cost estimates. Unfortunately, OPM's budget requests are not transparent about the analyses supporting them.

105. Consumption data was extracted from OPM's Enterprise Cost Accounting System to support the initial phase of implementation.

106. Actions taken to reduce the gap include the following: increasing the financial contribution of HRS to better reflect actual consumption of common services, extending the period of performance of OCFO operations and maintenance and other services, reducing the costs of retirement records imaging by contracting for the service instead of performing it in-house, and implementing budget reductions identified by programs.

To be fair, transparency of budget requests is beyond the control of OPM alone. It depends on how the larger budget and appropriations processes are structured. First and foremost, the decision about what to include in budget requests—absent specific statutory reporting requirements—is the purview of OMB and the incumbent administration. For example, following the data breach in 2015, OPM was directed not to request additional funds from Congress. Instead, OPM financed remediation efforts through internal assessments on the owners and users of the specific systems at risk as identified by the CIO. Also, until recently, OPM lacked a mechanism for addressing resource needs systematically with OMB. The OPM account was handled by staff in the Performance and Personnel Management office reporting to OMB’s Deputy Director for Management rather than a resource management office(s) on the budget side of OMB. OPM did not have budget examiners assigned to its accounts and, therefore, did not have the benefit of the usual budget development hearing process.

On the appropriations side, OPM has not had the benefit of regular hearings. The only hearing in recent years was held to discuss the GSA-OPM merger proposed by the prior Administration. This year, for the first time in over a decade, the OPM account is being handled on the budget side of OMB by three examiners, separately responsible for retirement, health insurance, and general government programs, the latter of which encompasses programs administered by ES and MSAC. Still, the OPM account is appropriated as a lump sum and not by function or program. The OPM general government appropriations account is overseen together with two much larger agency accounts—Postal Service and Department of Homeland Security—which hinders close attention to OPM funding.

Lack of clarity and transparency in budget development is a condition shared across federal agencies in terms of what is spent on HR activities. Currently, insight into the Federal Government’s human capital management spend is not captured in a way that affords government-wide analysis. Many stakeholders the study team spoke with raised this concern and noted the need for a FITARA-type scorecard for human resources to raise attention to human capital from an enterprise-wide perspective.

Even if the appropriations process is reformed to incentivize more transparent budget justifications, OPM would still need to strengthen its capacity to track staff time across programs, projects, and activities. Also, it would need to improve its ability to translate this capacity into credible budget justifications, strategic workforce planning, and efficient and effective management of additional resources Congress may choose to provide. OPM has a long-established set of labor codes for tracking staff time, but the use of this data for program management and planning has been mixed. OPM is in the process of implementing a new financial management system that provides tools for more readily accessing and using this data. Also, OPM has let a contract to undertake an assessment of workforce skills and utilization and to assist in developing a strategic workforce plan.

Funding of Major IT Investments: Enabling Sustained Investment in IT Modernization and Operations

Over the years, OPM has sought to maintain funding for core mission functions and to make investments in new business systems and the modernization of IT infrastructure in the context of flat or declining appropriations and in the absence of a dedicated source of funding for major IT

investments. To do this, OPM has adopted various strategies for obtaining funding outside the usual limitations of the discretionary budget process.

In interviews, the study team was told of at least three different strategies for off-budget funding of IT projects and sustaining the funding of core mission functions over time.

1. Obtaining money from the Trust Funds outside the congressional limit on discretionary transfers to fund major IT projects. These projects were framed as exceptional and therefore exempted from the discretionary spending limit. This practice dates back to OMB under the Bush Administration; it ended during the Obama Administration.
2. Funding major IT projects through Common Services, taking advantage of excess contributions by HRS. HRS was able to support these contributions based on how they allocated overhead costs to federal agency customers and pass throughs. This practice was abandoned following the imposition of new financial controls on HRS during the Obama Administration.
3. Funding major IT projects through Common Services, taking advantage of excess contributions by NBIB. This last arrangement ended with the transfer of NBIB to DOD, following the 2015 data breach.

In each case, when the off-budget mechanism for funding IT projects became unavailable, a funding crisis ensued. This situation has resulted in part from the lack of a dedicated source for funding IT investments.

OPM currently lacks an IT working capital fund. The current funding model with multiple funding streams, together with the lack of an IT working capital fund, provides little flexibility to the CIO organization to manage resources and priorities. The Modernizing Government Technology (MGT) Act provides Chief Financial Officer (CFO) Act agencies authority to establish an IT modernization and working capital fund in support of IT modernization efforts.¹⁰⁷ A working capital fund provides IT budget flexibility and transparency, allowing agencies to reprogram and transfer IT funds to the working capital fund, including cost savings, unused operations, and maintenance funds. Funds are available for three years (from the fiscal year for which the funds were designated), thereby reducing incentives for the “spend it or lose it” culture.¹⁰⁸

OPM reportedly sought to establish a working capital fund in the past. However, the fund was not included in the President’s Budget request or funded by Congress. The study team was informed that OPM plans to request authority to establish a working capital fund in its submission to OMB for the FY 2022 budget.

107. The Modernizing Government Technology Act was enacted in the FY18 NDAA. National Defense Authorization Act for Fiscal Year 2018, Pub. L. No. 115-91, Title X, Subtitle G (§§ 1076-1078).

108. Jon Holladay, Mike Kaczowka, Mike Kuchler, Brian Siegel, Lindsey Trumperi, “Federal CFO: How to Optimize the Modernizing Government Technology Act,” Deloitte Consulting LLP, *The Wall Street Journal*, May 11, 2018, <https://deloitte.wsj.com/cfo/2018/05/11/federal-cfo-how-to-optimize-the-modernizing-government-technology-act-with-a-working-capital-fund/>.

Moving to a More Sustainable and Accountable Funding Model

The ability of OPM to successfully perform its mission responsibilities will require significant changes in how it is funded. First, OPM must determine the current cost of operations. It must develop a cost accounting program that fully reflects the cost of operations and supports budget justifications for requesting the funding necessary to cover these costs. The Panel has offered recommendations throughout this report that will impact what and how OPM carries out a reframed mission. OPM needs to identify the costs of current operations and the impact of the recommended changes including delegating to the extent possible, using a risk-based approach to transactional oversight and approvals, and providing assistance services to agencies to implement policy changes without charge. And, it needs to identify the appropriate funding source. OPM will also need to strengthen its capacity to track costs across programs, projects, and activities and use this capacity to undertake strategic workforce planning to both effectively and efficiently manage resources.

A dedicated source of funding is needed to support major IT projects and enable sustained investment in IT modernization and minimize disruptions to the funding of mission functions, as well as an IT working capital fund to allow some flexibility to better manage priorities and address internal IT requirements that arise. As a critical step, OPM must baseline its IT costs and reinforce its IT investment planning and control processes and IT project management as discussed earlier. Standardizing and streamlining how IT costs are reported across OPM is necessary. OPM will need to pursue specific authority to establish a working capital fund under the Modernizing Government Technology (MGT) Act as it does not currently have that authority. Once established, OMB will oversee the fund and the IT investments it supports consistent with OMB's management, budget development, and oversight role.

Panel Recommendations

Objective: Enable more strategic and sustainable funding to support OPM's mission performance.

- 3.5** OPM should expand its ongoing re-baselining initiative to determine the cost of current OPM operations, assess the cost implications of changes recommended in this report (including provision of core human capital services currently offered on a fee-for-service basis), and identify opportunities to reduce costs and reallocate resources to accomplish mission responsibilities more effectively and efficiently.
- 3.6** OPM should continue its efforts to strengthen capacity to track staff costs and implement strategic workforce planning to inform more rigorous budget justifications and manage resources more efficiently and effectively.
- 3.7** Congress should provide dedicated funding to be used for specific, major OPM IT modernization projects contingent on the development of an agreed-upon roadmap based on sound IT investment planning and control processes.
- 3.8** Congress should provide authority to OPM to establish an IT Working Capital Fund, contingent on the completion of an enterprise-wide IT requirements and cost analysis to enable a more flexible and accountable internal process for funding IT operations and maintenance.

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Appendices

Appendix A: Panel and Study Team Member Biographies

Panel of Academy Fellows

Janet Hale,* *Panel Chair:* Former Director, Deloitte & Touche, LLP; Under Secretary for Management, U.S. Department of Homeland Security; Assistant Secretary for Budget, Technology, and Finance, U.S. Department of Health and Human Services; Chief Financial Officer and Associate Administrator for Finance, U.S. House of Representatives; Vice President of Government Relations, U.S. Telephone Association; Executive Vice President, University of Pennsylvania; Associate Director for Economics and Government, Office of Management and Budget, Executive Office of the President; Assistant Secretary for Budget and Programs, U.S. Department of Transportation; Executive Secretary and Deputy Assistant Secretary for Housing, U.S. Department of Housing and Urban Development.

J. Edward Kellough,* Professor and Ph.D. Director in the Department of Public Administration and Policy at the University of Georgia. Dr. Kellough specializes in public personnel management, public administration, and program evaluation. Previous books include *The New Public Personnel Administration*, seventh edition, with Lloyd G. Nigro (Wadsworth, Cengage Learning, 2014); *Understanding Affirmative Action: Politics, Discrimination, and the Search for Justice* (Georgetown University Press, 2007); and *Civil Service Reform in the States: Personnel Policy and Politics at the Sub-National Level*, edited with Lloyd G. Nigro (State University of New York Press, 2006). He has published in numerous academic journals and has lectured or made research presentations in several countries around the world. He is a past President of the Network of Schools of Public Policy, Affairs, and Administration (NASPAA) and serves currently as the Chair of the Section on Personnel Administration and Labor Relations of the American Society for Public Administration. He served previously at the University of Georgia as the head of the Department of Public Administration and Policy and as Director, Master of Public Administration program.

Peter Levine,* Senior Fellow, Strategy, Forces and Resources Division, Institute for Defense Analyses. Former positions include Acting Under Secretary of Defense for Personnel and Readiness, Department of Defense; Deputy Chief Management Officer, Department of Defense; Staff Director, Senate Armed Services Committee; General Counsel, Senate Armed Services Committee; Counsel, Senator Carl Levin; Counsel, Subcommittee on Oversight of Government Management, Senate Governmental Affairs Committee; Associate, Crowell & Moring. Author, “Defense Management Reform: How to Make the Pentagon Work Better and Cost Less,” (Stanford Press, 2020).

Ellen Tunstall,* Adjunct Policy Analyst focusing on domestic and international strategic human capital issues, RAND Corporation. Former positions with the U.S. Office of Personnel Management - Deputy Associate Director, Employment Policy; Program Manager, Office of Insurance Programs. Former Department of Defense positions - Acting Deputy Under Secretary for Civilian Personnel Policy; Director, Workforce Issues and International Programs; Division Chief, Civilian Assistance and Re-Employment Division, Defense Civilian Personnel Management

Service; various Department of Air Force human capital positions. Former Senior Advisor, FMP Consulting.

David Walker:* Current Distinguished Visiting Professor and Crowe Chair, U.S. Naval Academy. Former positions include: Managing Director and Senior Strategic Advisor, PricewaterhouseCoopers; Founder and Chief Executive Officer, Comeback America Initiative; President and Chief Executive Officer, Peter G. Peterson Foundation; Comptroller General of the United States and head of the U.S. Government Accountability Office (GAO); Partner and Global Managing Director - Human Capital Services, Arthur Andersen, LLP; Public Trustee, U.S. Social Security and Medicare Trust Funds; Assistant Secretary of Labor for Pension and Welfare Benefit Programs, U.S. Department of Labor, and Acting Executive Director, Pension Benefit Guaranty Corporation. Current and former member of many non-profit boards and advisory groups.

Study Team

Brenna Isman, *Director of Studies*: Ms. Isman has worked for the Academy since 2008 and provides oversight across the Academy's studies. She recently served as the Project Director for the Academy's study that assisted a national regulatory and oversight board in developing and implementing its strategic plan. She also recently directed the Academy's statutorily required assessments of the NASA's use of its Advisory Council and the Environmental Protection Agency's practices for determining the affordability of regulatory mandates, as well as the Academy's organizational assessments of the U.S. State Department's Office of Inspector General and the Amtrak Office of the Inspector General. Ms. Isman has served as a senior advisor on strategic plan development for the Postal Regulatory Commission (PRC) and Social Security Administration (SSA), and organizational change consulting support for the Coast Guard. Her prior consulting experience includes both public and private sector clients in the areas of communication strategy, performance management, and organizational development. Prior to joining the Academy, Ms. Isman was a senior consultant for the Ambit Group and a consultant with Mercer Human Resource Consulting facilitating effective organizational change and process improvement. She holds an MBA from American University and a Bachelor of Science in Human Resource Management from the University of Delaware.

Cynthia Heckmann,* *Project Director*: Ms. Heckmann is a fellow of the National Academy of Public Administration. A retired senior executive, Ms. Heckmann served as the Project Director for two related studies examining the scope and impact of sexually transmitted diseases in the United States for the National Coalition of STD Directors to help inform a national action plan; the reports were cited as foundational for the very first STI (Sexually Transmitted Infections) National Strategic Plan, released by the Department of Health and Human Services on December 17, 2020. Previously, she served as Project Director on the Academy's review of the study and administrative processes of the National Academies of Science, Engineering and Medicine, the Secret Service's organizational change efforts, the National Science Foundation's use of cooperative agreements in support of large-scale research facilities, the Department of Justice's Civil Rights Division, and the Center for Disease Control and Prevention's human resource process review. Her extensive career at the Government Accountability Office includes serving as the Chief Human Capital Officer (CHCO) and Deputy Chief Information Officer. Ms. Heckmann also has executive branch experience, as well as state government experience. Ms. Heckmann

served as a strategic advisor on research studies for the Partnership for Public Service and is currently a CHCO SAGE—Strategic Advisor for Government Executives—for the Partnership. She holds a Master of Public Administration from Northeastern University and a Bachelor of Arts from Simmons College (now University). She also holds certificates from the Senior Executive Fellows Program at Harvard University’s John F. Kennedy School of Government and Yale University’s School of Organization and Management.

Sukumar Rao, *Senior Advisor*: Mr. Rao is President of the Parnin Group and has specialized in cross-agency program implementation, performance improvement, IT strategy, digital transformation, and information architecture and data management. Previously, he was a Principal at SRA International. He served as the project manager for a number of OMB-led crossagency initiatives to evaluate the performance of operations and service delivery of the 24 CFO ACT agencies, including mission areas, IT and mission-support/administrative operations. He brings a depth of IT strategy experience that includes evaluation of government-wide high risk IT projects, assessment of cloud computing and shared services, and design and implementation of digital transformation initiatives. He also served as Program Manager for a Homeland Security Science and Technology Program, leading and managing the strategic planning process to design a \$30 million R&D program to improve a nationwide emergency alert system. Mr. Rao has an MBA from Columbia University and Master of Science and Bachelor of Engineering degrees in Telecommunications. He is a Project Management Professional (PMP) and Certified Technology Business Management Executive (CTBME).

Jonathan Tucker, *Senior Analyst*: Dr. Tucker joined the Academy’s staff in 2004 and has extensive expertise in policy analysis, program evaluation, organizational design, management assessment, and strategic planning. He recently served as Project Director for the Academy’s organizational assessment of the R&D area of the U.S. Forest Service and the Academy’s assessment of the Department of Transportation’s proposed reorganization of its research entities. He also recently served as a Senior Advisor on the Academy’s statutorily required study of the project partnership agreement (PPA) procedures utilized by the Army Corps of Engineers and supported the Academy’s recent studies of the NASA Advisory Council and the procurement strategies of the Transportation Security Administration (TSA). He holds a Ph.D. in Public Policy from George Mason University, an M.S. in Science and Technology from Rensselaer Polytechnic Institute and a B.A. in Public Policy from New College of the University of South Florida.

Chloe Yang, *Senior Analyst*: Ms. Yang is a Senior Analyst at the Academy. Since joining the Academy in 2009, Ms. Yang has worked on projects with a range of federal and state 36 agencies, including the Oklahoma Corporation Commission, the National Science Foundation, Office of Management and Budget, U.S. Coast Guard, and the Government Accountability Office. Before joining the Academy, Ms. Yang was the research intern at the Foundation of Environmental Security and Sustainability. She is a Ph.D. candidate at George Mason University, from which she also holds an MPA degree. She also holds a bachelor’s degree in Financial Management from the Renmin University of China.

Elise Johnson, *Senior Research Associate*: Ms. Johnson joined the Academy in 2019. Since then, she has served on a number of Academy projects, including work for the Department of Commerce’s Office of Space Commerce, the National Oceanic and Atmospheric Administration,

the Bureau of Transportation Statistics, and the National Coalition of STD Directors. Ms. Johnson also supports the Academy's quarterly Grants Management Symposium. In addition to this study, Ms. Johnson also serves on a study for the Agricultural Research Service. Ms. Johnson graduated from the University of Maryland, earning a B.A. in Public Policy and a B.A. in Government and Politics.

E. Jonathan Garcia, *Research Associate*: Mr. Garcia joined the Academy as a Research Associate in November 2020. Mr. Garcia graduated in May 2020 from the University of Maryland, earning a B.A. in Public Policy, a B.A. in Communication, and a Minor in Law and Society.

Appendix B: List of Interviewees

OPM

Office of the Director (OD)

- **Michael Rigas**, Former Acting Director and Deputy Director, OPM; former Acting Deputy Director for Management, OMB
- **Alexandra Czwartacki**, Former Senior Advisor for Operations
- **Peggy Grande**, Former Executive Secretary and Resource Management Officer
- **Kathleen McGettigan**, Chief Management Officer and current Acting Director
- **George Nesterczuk**, Former Senior Advisor
- **Rebecca Thacker**, Former Senior Advisor for Research

Office of the Chief Financial Officer (OCFO)

- **Dennis Coleman**, Chief Financial Officer
- **Edward Callicott**, Budget Analyst
- **Margaret Pearson**, Deputy Chief Financial Officer and Performance Improvement Officer
- **Henry Pickens**, Budget Officer
- **Jonathan Soileau**, Chief Evaluation Officer
- **Nathan Uldricks**, Former Senior Advisor for Financial Management

Office of the Chief Information Officer (OCIO)

- **Clare Martorana**, Chief Information Officer

Human Resources (HR)

- **Tyshawn Thomas**, Director of Human Resources and Chief Human Capital Officer

Office of Human Capital Data Management and Modernization Directorate (HCDMM)

- **David Spinale**, Former, Director of Human Capital Data Management and Modernization Directorate and Human Resources Line of Business (HRLOB)

Congressional, Legislative, and Intergovernmental Affairs (CLIA)

- **A.J. Moore**, Former Acting Director
- **Christiana Frazee**, Former Director of Constituent Support Services
- **Kristine Prentice**, Senior Legislative Analyst

Office of Communications (OC)

- **Anthony Marucci**, Former Director
- **Laura Goulding**, Deputy Director, Public Affairs Director
- **Michael Cogar**, Former Public Affairs Specialist

Office of General Counsel (OGC)

- **Mark Robbins**,* Former General Counsel
- **Kathie Ann Whipple**, Deputy General Counsel
- **Steven Abow**, Assistant General Counsel, Merit Systems and Accountability
- **Alan Miller**, Associate General Counsel, Compensation, Benefits, Products and Services Division

Office of Inspector General (OIG)

- **Norbert Vint**, Deputy Inspector General Performing the Duties of the Inspector General
- **Michael Esser**, Assistant Inspector General for Audits
- **Drew Grimm**, Assistant Inspector General for Investigations
- **James Ropelewski**, Assistant Inspector General for Management
- **Paul St. Hillaire**, Assistant Inspector General for Legal and Legislative Affairs
- **Lewis Parker**, Deputy Assistant Inspector General for Audits
- **Melissa Brown**, Deputy Assistant Inspector General for Audits
- **Faiza Mathon-Mathieu**, Senior Counsel for Legislative and External Affairs

Office of Privacy and Information Management (OPIM)

- **Kellie Riley**, Chief Privacy Officer
- **Charles ‘Corky’ Conyers**, Forms/Paperwork Reduction Act Manager
- **Marc Flaster**, Senior Advisor to the Chief Privacy Officer
- **Tammy Hudson**, Records Officer

Office of Procurement Operations (OPO)

- **Todd Anthony**, Director
- **Shreena Lyons**, Director of Contracting Activity

Program Offices

Employee Services (ES)

- **Dennis Kirk**, Former Associate Director
- **Veronica Villalobos**, Former Principal Deputy Associate Director
- **Timothy Curry**, Deputy Associate Director, Accountability and Workforce Relations
- **Kimberly Holden**, Deputy Associate Director, Talent Acquisition and Workforce Shaping
- **David LaCerte**, Former Senior Advisor and Deputy Associate Director, SES and Performance Management
- **Laura Lynch**, Deputy Associate Director, SES and Performance Management
- **Zina Sutch**, Deputy Associate Director, Outreach, Diversity, and Inclusion
- **Samuel Wright**, Former Senior Advisor and Deputy Associate Director, Outreach, Diversity, and Inclusion
- **John York**, Former Senior Advisor and Deputy Associate Director, Strategic Workforce Planning, Employee Services; former Executive Director of Chief Human Capital Officer Council

Healthcare and Insurance (HI)

- **Laurie Bodenheimer**, Associate Director
- **Holly Schumann**, Deputy Assistant Director, Program Development and Support
- **Terry Schleicher**, Acting Deputy Assistant Director, Program Development and Support
- **Edward DeHarde**, Assistant Director, Federal Employee Insurance Operations
- **Willie Powers Jr.**, Program Manager, Operations and Resource Management
- **Katrina Bell**, Management Analyst, Operations and Resource Management

Human Resources Solutions (HRS)

- **Sara Ratcliff**, Former Associate Director
- **Reginald Brown**, Principal Deputy Associate Director
- **Dawn Luepke**, Former Senior Advisor and Deputy Associate Director, Center for Leadership Development
- **Leslie Pollack**, Deputy Associate Director, HR Strategy & Evaluation Solutions
- **Dianna Saxman**, Deputy Associate Director, Federal Staffing Center
- **Stuart Gittelman**, Customer Services Branch
- **Suzanne Logan**,* Deputy Associate Director, Center for Leadership Development
- **John Gill**, Deputy Director, Center for Leadership Development

Merit System Accountability and Compliance (MSAC)

- **Mark Lambert**, Associate Director
- **Ana Mazzi**, Principal Deputy Associate Director

Retirement Services (RS)

- **Kenneth Zawodny**, Associate Director
- **Lori Amos**, Deputy Associate Director for Retirement Operations
- **Nicholas Ashenden**, Deputy Associate Director for Retirement Operations-Boyers

Suitability Executive Agent (SuitEA)

- **Lisa Loss**, Director

General Services Administration (GSA)

- **Emily Murphy**, Former Administrator (written responses only)
- **Allison Brigati**, Former Deputy Administrator

Office of Management and Budget (OMB)

- **Dustin Brown**,* Deputy Assistant Director for Management, Office of Performance and Management
- **David Connolly**, Chief, Transportation and General Services Administration Branch
- **Kristy Daphnis**, Lead for Governmentwide Personnel Policy
- **Matthew Eanes**, Director, Performance Accountability Council (PAC) Program Management Office

- **Anthony Gonzalez**, Program Examiner, Commerce Branch, General Government Programs
- **Ben Skidmore**, Senior Program Examiner

Congress¹⁰⁹

House Committee on Appropriations, Subcommittee on Financial Services and General Government

- **John Martens**, Minority Clerk
- **Marybeth Nassif**, Majority Professional Staff Member

House Committee on Government Oversight and Reform, Subcommittee on Government Operations

- **Wendy Ginsberg**, Majority Staff Director
- **Ellen Johnson**, Minority Senior Professional Staff Member
- **Cassie Winters**, Majority Legislative Assistant and Professional Staff Member

Senate Committee on Appropriations, Financial Services and General Government Subcommittee

- **Alley Adcock**, Majority Professional Staff Member
- **Diana Hamilton**, Minority Professional Staff Member
- **Andy Newton**, Majority Staff Director

Senate Committee on Homeland Security and Government Affairs, Subcommittee on Regulatory Affairs

- **Eric Bursch**, Minority Staff Director
- **James Mann**, Majority Senior Counsel

Agencies

Census Bureau, Department of Commerce

- **Lisa Frid**, Workforce Transformation Program Manager, Human Resources Division
- **Josh Keller**, Assistant Division Chief, Human Capital Strategy and Accountability

Department of Agriculture (USDA)

- **Mary Pletcher**, Chief Human Capital Officer

Department of Defense (DOD)

- **Anita Blair**,* Former Chief Human Capital Officer
- **Veronica Hinton**, Principal Director for Personnel Policy
- **Michelle Lowe Solis**, Director, Defense Civilian Personnel Advisory Service

109. Positions listed were current as of the close of the 116th session of Congress.

Department of Energy (DOE)

- **Steven Erhart**, Former Chief Human Capital Officer

Department of Health and Human Services (HHS)

- **J. Blair Duncan**, Chief Human Capital Officer

Department of Homeland Security (DHS)

- **Angela Bailey**,* Chief Human Capital Officer

Department of Interior (DOI)

- **Ray Limon**, Chief Human Capital Officer

Department of Veterans Affairs (VA)

- **Tracey Therit**, Chief Human Capital Officer
- **Joseph Thele**, Associate Deputy Assistant Secretary, HR IT Systems and Analytics
- **Tracy Schulberg**, Executive Director, Labor Management Relations
- **Rondy Waye**, Senior Policy Advisor

Federal Trade Commission (FTC)

- **Vicki Barber**, Chief Human Capital Officer
- **Sharrelle Higgins**, Deputy Chief Human Capital Officer
- **Mark Kern**, Chief Learning Officer for Employee Development and Training

Government Accountability Office (GAO)

- **Robert Goldenkoff**, former Director of Strategic Initiatives
- **David Hinchman**, Assistant Director, Information Technology and Cybersecurity
- **Susan Irving**,* Director, Federal Budget Analysis, Strategic Issues
- **Steven Lozano**, Assistant Director, Strategic Issues
- **Nick Marinos**, Director, Information Technology and Cybersecurity
- **J. Christopher Mihm**,* Managing Director and Director, Strategic Issues
- **Susan Murphy**, Assistant Director, Strategic Issues
- **Leah Nash**, Assistant Director, Strategic Issues

National Aeronautics and Space Administration (NASA)

- **Jane Datta**, Chief Human Capital Officer
- **Mary Davie**,* Deputy Associate Administrator, Mission Support Transformation Office, Mission Support Directorate
- **Elizabeth Kolmstetter**, Director of Talent, Strategy, and Engagement
- **Keith Krut**, Branch Chief, People Analytics

Peace Corps

- **Traci DiMartini**, former Chief Human Capital Officer and Chair of Small Agency Human Resource Council, (now Chief Human Capital Officer at GSA)

Fellows

- **Dan Blair**,* former Deputy Director, OPM
- **Beth Cobert**,* former Deputy Director for Management, OMB and Acting Director, OPM
- **Steve Cohen**,* former Senior Advisor, OPM
- **Kay Coles James**,* former Director, OPM
- **Kay Ely**,* former Associate Director, OPM
- **Doris Hausser**,* former Senior Policy Advisor, OPM
- **Donald Kettl**,* Professor and Academic Director, Lyndon B. Johnson School of Public Affairs University of Texas at Austin
- **Nancy Kichak**,* former Associate Director and Chief Human Capital Officer, Employee Services; former Associate Director, Strategic Human Resources Policy, OPM
- **Janice LaChance**,* former Deputy Director and Director, OPM
- **John Palguta**,* former Director, Policy and Evaluation, U.S. Merit Systems Protection Board; former Branch Chief and Personnel Management Advisor, OPM
- **Ronald Sanders**,* former Chief Human Capital Officer, Office of the Director of National Intelligence; former Associate Director, Strategic Human Resource Policy, OPM
- **Linda Springer**,* former Director, OPM; former Controller and Senior Advisor, OMB

Labor Unions and Employee Associations

American Federation of Government Employees (AFGE)

- **Richard Loeb**, Senior Policy Counsel
- **Jacque Simon**, Policy Director

Federal Managers Association (FMA)

- **Craig Carter**, National President
- **Ronald Gryga**, National Vice President
- **Patricia Niehaus**, Former National President
- **Greg Stanford**, Director of Government and Public Affairs
- **Todd Wells**, Executive Director

International Federation of Professional and Technical Engineers (IFPTE)

- **Lee Stone**, Western Federal Area Vice President
- **Matthew Biggs**, Secretary-Treasurer

National Active and Retired Federal Employees Association (NARFE)

- **Kenneth Thomas**, National President
- **Jessica Klement**, Staff Vice President for Advocacy

National Federation of Federal Employees (NFFE)

- **Bob Beckley**, National Vice President

National Treasury Employees Union (NTEU)

- **Anthony Reardon**, National President
- **James Bailey**, National Vice President

Senior Executives Association (SEA)

- **Robert Corsi**, Interim President and CEO
- **Jason Briefel**, Director of Policy and Outreach

Research Organizations and Non-Profits

- **Dan Chenok**,* Executive Director, IBM Center for the Business of Government
- **Troy Cribb**, Director of Policy, Partnership for Public Service
- **Steve Goodrich**, President and CEO of Center for Organizational Excellence
- **William Shields**, Executive Director, American Society for Public Administration (ASPA)
- **Max Stier**,* President and CEO, Partnership for Public Service

Former OPM Officials

- **Sydney Heimbrock**, former Chief Learning Officer, OPM
- **Bernie Kluger**, former Deputy Performance Improvement Officer, OPM
- **Lisa Schlosser**, former Federal CIO, OMB; former Acting CIO, OPM
- **Harold Segal**, formerly with OPM Training Management Assistance program
- **Margaret Weichert**, former Acting Director, OPM and Deputy Director for Management, OMB

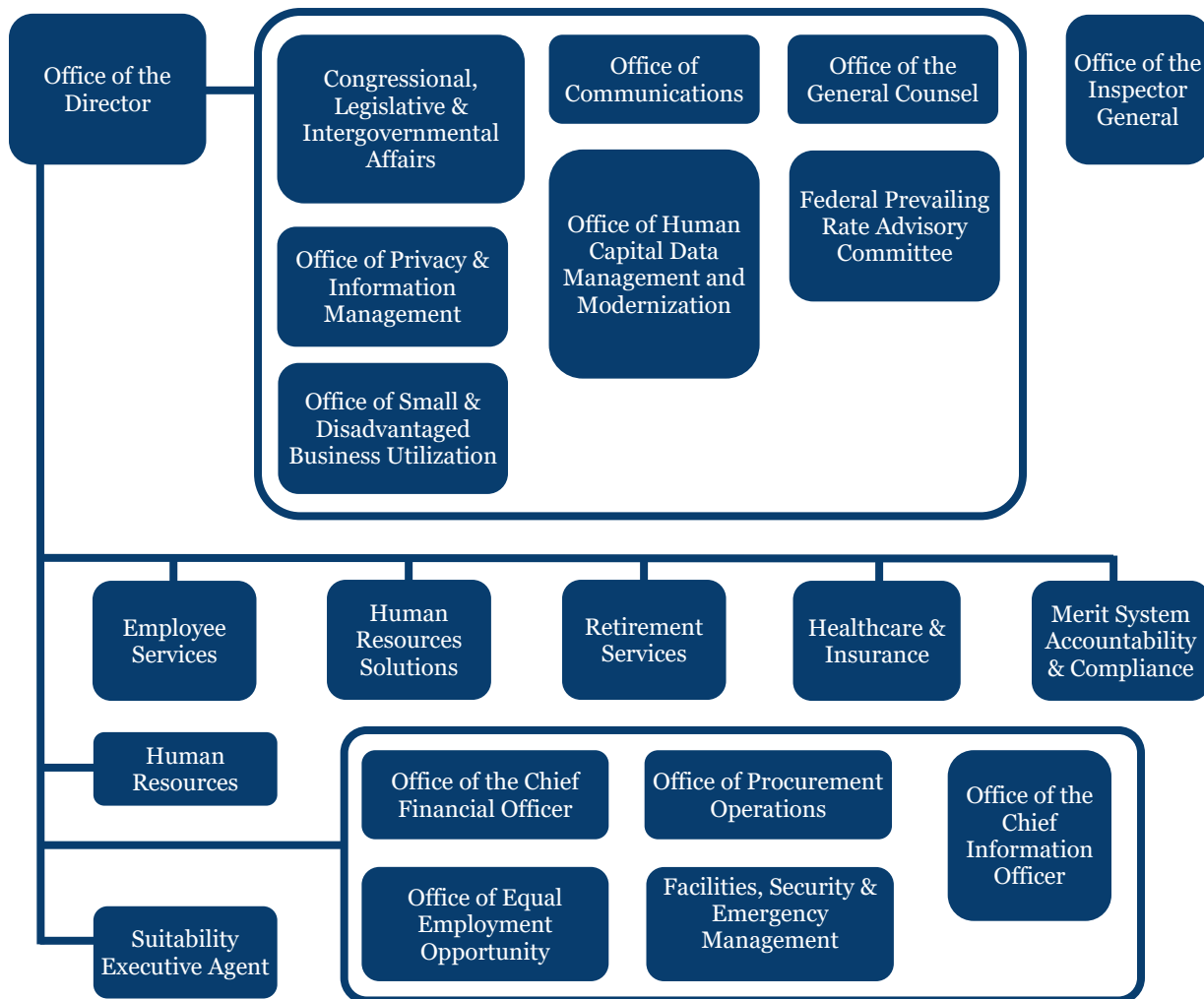
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Appendix C: OPM Organizational Profile

The Office of Personnel Management (OPM) was established in 1979, evolving from its predecessor organization, the Civil Service Commission. Over the years, it has experienced changes in structure and functions, in some cases gaining additional responsibilities and in others, losing functions and related resources—and in the case of background security investigations, losing, gaining, and then losing again program responsibility. Today, OPM comprises program divisions and offices that support the Agency’s mission, both directly and indirectly. Customers of OPM programs, services, and information span many different communities—federal agencies and human resource staff; federal employees, annuitants, and survivors; job applicants; and the public, in general.

Figure 1 displays the OPM organizational structure that was in place in October 2020. A brief description of the offices and how each unit contributes to fulfilling OPM’s mission follows.¹¹⁰

Figure 1. OPM Organizational Chart (as of October 2020)



110. U.S. Office of Personnel Management, *Annual Performance Report: Fiscal Year 2020*, (January 2021).

Executive Offices

OPM’s executive offices include the Office of the Director and offices that support the director and coordinate with units across the agency to carry out OPM’s mission and the director’s priorities.

Executive Offices	
Office of the Director (OD)	Provides guidance and leadership to fulfill OPM’s mission; coordinates with the President on human capital and Administration priorities.
<ul style="list-style-type: none"> • Executive Secretariat (ExecSec) 	Provides administrative management support to OD and other executive offices, reviews and coordinates correspondence with federal partners and the public, and supports offices with drafting regulations.
<ul style="list-style-type: none"> • Chief Management Officer (CMO) 	Provides organizational management to promote OPM’s mission and strategic goals and to improve Agency performance.
<ul style="list-style-type: none"> • Performance Accountability Council Program Management Office (PAC PMO) 	Handles administrative functions for the Performance Accountability Council, reporting to the Office of Management and Budget (OMB); coordinates activities related to the Council and Executive Agents responsible for national security and suitability vetting and credentialing.
Office of Privacy and Information Management (OPIM)	Advises the director on privacy laws, administers and implements Freedom of Information Act (FOIA) and Privacy Act requirements, and evaluates risk in projects involving sensitive information.
Office of the General Counsel (OGC)	Provides legal advice and representation to OPM leadership; reviews policy proposals and other documents for legal compliance; represents OPM in litigation.
Congressional, Legislative, & Intergovernmental Affairs (CLIA)	Advocates for legislation and policy; represents OPM in interactions with the White House, OMB, Congress, and state, local, and tribal governments; drafts legislation, technical comments, analysis, and testimony.
Office of Communications (OC)	Coordinates OPM’s communication strategy; assists offices with producing communication products; publishes all communication products, including the OPM website.
Human Capital Data Management and Modernization (HCDMM)	Enhances government-wide human capital strategic management through innovation of interoperable data services and operations, standardizes OPM’s data collection efforts, and aims to provide agencies more usable and reliable data.
Office of Small and Disadvantaged Business Utilization (OSDBU)	Manages OPM’s small business program, promoting opportunities available.
Equal Employment Opportunity (EEO)	Monitors legal compliance with EEO laws, regulations, and policies; processes EEO complaints; offers counseling, alternative dispute resolution, and adjudication of disputes; provides internal training on prohibited discriminatory practices.

Federal Prevailing Rate Advisory Committee (FPRAC)

Advises the OPM director on administering the prevailing rate system for wage grade employees; conducts studies on the prevailing rate system. OPM director appoints the chairperson.

Program Offices

Six program offices, listed below in alphabetical order, contribute to OPM’s core mission activities.

Program Offices	
Employee Services (ES)	Administers statutory and regulatory provisions related to Federal human capital processes (recruitment, hiring, classification, strategic workforce planning, pay and leave, performance management and recognition programs, leadership and employee development, reskilling, work-life and wellness programs, diversity and inclusion, labor and employee relations, and the Administrative Law Judges Program); supports federal agencies with tools, strategies, flexibilities/authorities, technical assistance, and policy to support the hiring, development, and retention of the federal workforce.
Healthcare and Insurance (HI)	Operates federal employee healthcare and insurance programs for employees, retirees, and their families (Federal Employees Health Benefits (FEHB) Program, Federal Employees’ Group Life Insurance (FEGLI) Program, Long Term Care Insurance Program (FLTCIP), Federal Employees Dental and Vision Insurance Program (FEDVIP), and Federal Flexible Spending Account Program (FSAFEDS); contracts with qualified insurance carriers; and coordinates Federal Benefits Open Season.
Human Resources Solutions (HRS)	Provides tailored human capital and training products and services and common human resources (HR) technology platforms, (e.g., USA Staffing, USAJOBS) to agencies; offers strategies to agencies to improve their workforces’ performance and hire competitively; provides professional and leadership development training programs for federal employees and for federal HR staff; offers assisted acquisition for procuring human capital services.
Merit System Accountability & Compliance (MSAC)	Conducts oversight of federal agency human capital programs and ensures compliance with merit system principles and civil service regulations; reviews agencies’ political appointee conversion requests; adjudicates compensation and classification appeals; oversees the Combined Federal Campaign (CFC) and Voting Rights programs; serves as OPM’s audit resolution coordinator for OPM Inspector General and Government Accountability Office audits.

Retirement Services (RS)	Provides federal annuitants and their survivors with retirement benefits programs and services; administers Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS).
Suitability Executive Agent (SuitEA)	Assists agencies through policy and guidance in determining the suitability of applicants, employees, and contractors for federal employment; renders suitability determination for cases requiring OPM's involvement; prescribes suitability standards and minimum standards of fitness for employment.

Mission Support Offices

Mission support offices provide critical services and tools that enable OPM offices to carry out the Agency's mission.

Mission Support Offices	
Office of the Chief Financial Officer (OCFO)	Provides leadership in financial policy and strategic planning; manages/coordinates OPM's budget and related planning/analysis processes; executes OPM's accounting, billing, and vendor payments; leads OPM's performance, program evaluation, internal control mechanisms, and enterprise risk management programs.
Office of the Chief Information Officer (OCIO)	Leads OPM's information technology (IT) strategy; determines long-term enterprise technology needs; manages OPM's IT network, communications infrastructure, and applications; sets Agency-wide technology and security policy; oversees the technology acquisition projects.
Office of Human Resources (HR)	Performs human capital functions for OPM including recruitment, career development, and processing retirement applications; develops strategy, policy, and solutions to address internal human capital challenges.
Office of Procurement Operations (OPO)	Supports the Agency's acquisition needs; develops acquisition policy and acquisition practices.
Facilities, Security, and Emergency Management (FSEM)	Administers OPM's property, building operations, and safety/occupational health programs; completes personnel security actions for OPM employees and contractors; operates OPM's emergency management response programs; manages OPM's physical and information security programs.

Independent Offices

The OPM Office of the Inspector General (OIG) is included here for information purposes only. The office is independent from OPM, consistent with statutory requirements. Its functions were outside this study's scope.

Independent Offices

**Office of the Inspector
General (OIG)**

Performs audits, investigations, and evaluations of OPM services and programs; promotes accountability and transparency in OPM and its external partners; and produces reports to the OPM director and Congress on identified issues and suggested recommendations.

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Appendix D: Selected References

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- 114th United States Congress. 2016. "National Authorization Act for Fiscal Year 2017, Public Law 114-328, S. 2943." December 23.
- 115th United States Congress. 2019. "Foundations for Evidence-Based Policymaking Act of 2018, Public Law 115-435, 5 USC 101." January 14.
- . 2018. "Hearing Before the Subcommittee of Regulatory Affairs and Federal Management of the Committee on Homeland Security and Governmental Affairs The Challenges and Opportunities of the Proposed Government Reorganization on OPM and GSA, S. Hrg. 115-451." July 26.
- . 2018. "John S. McCain National Defense Authorization Act for Fiscal Year 2019, Public Law 115-232, HR 5515." August 13.
- . 2017. "National Defense Authorization Act for Fiscal Year 2018, Public Law 115-91, HR 2810." December 12.
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