**STATEMENT OF
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before the

**SUBCOMMITEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES**

on

**"U.S. Office of Personnel Management FY 2017 Budget Request"

March 14, 2016**

Chairman Crenshaw, Ranking Member Serrano, and Members of the Subcommittee:

Thank you for the opportunity to testify before you today regarding the U.S. Office of Personnel Management's (OPM's) Fiscal Year (FY) 2017 budget request. I want to begin by saying that I am honored that President Obama has nominated me to be Director of OPM. Every day, OPM's employees are hard at work providing valuable services to their fellow Federal workers and developing policies and strategies to make the government work more effectively for the American people. They are processing retirement claims from across the Federal government, conducting background investigations on prospective and current Federal employees and Federal partners, collaborating with agencies to attract top candidates to Federal service, and providing quality health insurance to Federal employees and their families.

OPM's discretionary budget request consists of two funds used to perform OPM's fundamental roles as human resource agency, personnel policy manager, and earned benefit programs administrator for the Federal government. It is important to note that these funds, Salaries and Expenses and Trust Fund Transfers, represent 14 percent of OPM's total operating budget of $2.1 billion. Separate and apart from discretionary appropriations, OPM is authorized to transfer funds from the retirement, life and health trust funds without limitation to conduct very specific activities in administering benefit programs, such as the administration of survivor annuities. Funding for these administrative activities represents 3 percent of our operating budget. In addition, OPM operates several programs that are funded on a fee for service basis. These fees are charged to other agencies based on an actual cost basis for the services provided. This funding is managed through a revolving fund. These programs include:

- Federal Investigative Services (FIS), which equates to 69 percent of the total OPM budget;
- Human Resources Solutions, under which OPM provides services, either directly or through vendors, on various human resources issues, which equates to 9 percent of the operating budget; and
- USAJOBS, the U.S. Government's official system/program for Federal jobs and employment information, which equates to 1 percent of the operating budget.

Altogether, OPM's Revolving Fund is the largest segment of our operating budget, representing 83 percent of the FY 2017 amount.

FY 2017 Budget Request

OPM's FY 2017 discretionary budget request builds on the progress already made with a focus on management discipline, ensuring decisions are made based on reliable data, and delivering excellent customer service in accordance with OPM's Strategic Plan. The request finances most OPM programs and services at levels similar to those enacted for FY 2016, with certain exceptions for critical investments. These critical investments include substantial additional resources for (Information Technology) IT operations, funds for implementation of a new financial system to support administration of OPM's earned benefit trust funds, and support of OPM's Retirement Services including additional customer service staff to address the growth in workload as well as resources to implement recently enacted legislation to reduce improper payments in the disability retirement program. Therefore, to fund those critical investments the budget proposes an increase of $44 million in appropriated funds.

Security of OPM's IT Infrastructure

OPM is responsible for operating and maintaining the IT systems used to support the recruitment, hiring, and management of Federal employees, and administration of their benefits. It is also responsible for the IT systems that support the background investigation processes that enable adjudication of suitability or fitness for Federal employment, to perform work under a Government contract, to enlist in the armed forces, for eligibility for access to classified information or to hold a position that is otherwise national security sensitive, and eligibility for logical or physical access to Federal agency systems or facilities. Although, as I will discuss later in my testimony, we anticipate that we will be transitioning responsibility for the IT support of our background investigations systems to the Department of Defense (DOD) as part of the stand-up of the National Background Investigations Bureau (NBIB), we expect that this process will not be completed in FY 2017 and that OPM will continue to need funding to support and secure those IT systems in FY 2017.

Since OPM began implementing its IT Strategic Plan in 2014, the agency has invested over $67 million of appropriated funds to enhance the security of its current infrastructure by procuring and installing new and modern industry-recognized security tools to protect our current infrastructure, and to stand up a new infrastructure as a service environment. In close coordination with our agency partners, OPM continues to make progress on strengthening our

cybersecurity posture. For example, OPM has implemented the enforcement of Personal Identity Verification cards for two-factor authentication for network access. Additional application security was deployed for the eQIP system, the system used for collecting information from applicants for background investigations, on January 10, 2016. All applicants for federal employment will be asked to generate a second means or "factor" to authenticate their identity. This collection of options thus has enabled "Two Factor" authentication to the system used by background investigation applicants to submit often sensitive information in support of their background investigations for security clearances. OPM has increased the number of scans that allow us to review the entire OPM network for signs of compromise. In February, EINSTEIN 3A, the Department of Homeland Security system to detect and block many of the most significant cyber attacks using classified indicators was deployed to OPM. OPM has worked with our interagency partners to patch vulnerabilities, tighten policies and practices for privileged users, and conduct reviews of our high value asset systems. These steps build on efforts the Administration has taken through the 30-day Cybersecurity Sprint and the release of both the Cybersecurity Strategy and Implementation Plan and the Cybersecurity National Action Plan to increase our cybersecurity capabilities and protect systems and data government-wide. Finally, OPM has hired a new Chief Information Security Officer, four new SES-level employees, and four new senior IT program managers to further strengthen the senior IT team, as well as a new senior cyber and information technology advisor to support the ongoing response to recent incidents, complete development of OPM's plan to reduce the risk of future incidents, and recommend further improvements to strengthen the security of OPM's IT. I am confident in the team in place and their ability to continue OPM's efforts to improve our IT capabilities and security by working across OPM and with our partners throughout government.

OPM's FY 2017 request includes $37 million to enable OPM to continue these efforts as we migrate the existing legacy network to the modern, more secure infrastructure (the "Shell") that will be deployed in FY 2016. The Shell is fully equipped with the hardware, software, and security tools needed to house the combined IT assets of OPM. A dual environment of legacy systems and the Shell must be maintained during the migration period to allow time to replace or reengineer the existing systems without affecting current services, including retirement processing, background investigations, and receipt of agency human resources data. Funds will be used to plan for the replacement or reengineering of the legacy systems, and for the testing and deployment (including necessary training) of newer applications in the Shell. The funds we are requesting for FY 2017 are critical to ensuring OPM can continue to make progress in strengthening the cybersecurity posture of its systems and modernizing these systems.

Modernization of Trust Fund Federal Financial System

OPM exercises stewardship over trust funds in support of Federal employee retirement, health, and life insurance benefits, safeguarding them against waste, fraud, and abuse. The trust funds will pay out an estimated $145 billion in benefits in FY 2017 out of its approximately $1 trillion in combined assets. The current system used for financial management and accounting for these benefit programs is critically outdated and is one of the systems that must be replaced or reengineered in order to migrate to the more secure new environment. The budget request

includes $9.35 million in FY 2017 to update and secure the Trust Fund Federal Financial System to facilitate effective financial management and accounting of OPM's federal benefit programs.

Retirement Services

OPM receives approximately 100,000 new retirement claims each year and handles post-retirement human resources services, such as health insurance and tax changes, for 2.5 million Federal annuitants, survivors, and their families. Each year, more than 1.5 million current or retired Federal employees and their families call OPM's Retirement Services team with a wide range of questions, and OPM receives more than 300,000 additional questions via e-mail. Each of these interactions is important, and OPM is working to provide these individuals a timely, accurate, and appropriate response. OPM is consistently working to improve the quality of this experience for its customers, administering surveys and analyzing the data to identify customer service trends and focus on areas where improvement and change is needed and providing training for employees. We have made progress, but challenges remain. The FY 2017 budget includes $1.5 million for Retirement Services to increase the number of staff that responds to customer inquiries. We continue to work to identify opportunities to gain efficiencies in the Retirement Services for all of our stakeholders.

The Bipartisan Budget Act of 2015 amended the Social Security Act to require OPM and the Social Security Administration (SSA) to enter into an agreement to establish a system to better coordinate disability benefits in order to reduce improper payments in the Federal Employees' Retirement System. The law also requires OPM to pay SSA for the costs that SSA estimates it will incur to carry out this agreement. The FY 2017 budget includes $6 million in additional funding to cover the estimated cost to implement this legislative mandate.

President's Management Agenda - People and Culture

OPM is a co-leader of the People and Culture pillar of the President's Management Agenda (PMA) and agency staff is directly involved in activities to achieve its goals. OPM's FY 2017 budget request supports OPM's efforts to ensure that agencies have the tools necessary to hire, engage, and lead their workforces to meet their missions and be responsive to the needs of the American people.

As part of the PMA, OPM is currently leading "Hiring the Best Talent" efforts to identify issues or challenges in Federal employment, and helping agencies "untie the knots" when confronting difficulties in hiring. OPM is a customer service organization: a key feature of our mission to assist our clients with understanding the existing authorities and tools at their disposal to successfully recruit, develop, and retain the best personnel they can to meet their needs. Accordingly, we have increased our outreach and strengthened our available guidance to Federal agencies. OPM is partnering with agencies to develop workgroups and action plans to pursue challenges related to specific occupational areas (e.g., information technology), position management, training and certification. To help support this process, OPM is also leveraging partnerships, including the Chief Human Capital Officers Council and other key stakeholders to inform future strategies and action plans.

OPM is also committed to increasing employee engagement across the Federal government as another key element of the PMA. Employees want a job that makes full use of their skills, gives them opportunities for continuous learning, and enables them to make an impact on the people they serve. OPM is proud to be leading this effort and has been charting a course over the past several years for Federal employees to build key skills that lead to improved individual and organizational performance and job satisfaction. These efforts to enhance employee engagement and mission performance involve personnel from across the federal workforce including Chief Human Capital Officers, senior managers, and labor unions representing front line employees across the Executive Branch.

Recognizing that the overwhelming majority of Federal employees – roughly 85 percent – are not in the Washington, DC area, OPM is reaching out to individuals in Federal agencies in geographically diverse areas of the country. Through the Hiring Excellence Campaign OPM has recently launched, OPM will be working directly with agency hiring managers and human resources staff to help them identify skills gaps and find and recruit the best professionals to fill these positions. This allows us to hear directly from hiring managers and supervisors, while also giving us the opportunity to have discussions with Federal agencies about the tools already available to them. We have also launched a Hiring Toolkit on HR University, which includes guidance on the authorities, assessments and data already available to hiring managers. In addition, we are leading efforts in support of the Administration's Cybersecurity National Action Plan, which put in place programs to recruit and retain the most highly qualified cybersecurity workforce and talent across the Federal Government. All of these activities are in addition to our daily oversight responsibilities to help Federal Government agency human resources programs operate in a manner that is effective, follows merit system principles, and meets related civil service requirements.

Our PMA goals around hiring the best talent would not be complete without a strong commitment to diversity; and we are continually focused on recruiting, hiring and retaining a diverse workforce. Through a data-driven approach, we are collecting and reviewing demographic data to address challenges in employing a Federal workforce that draws from all segments of society. We are also providing training to agencies, managers, supervisors and employees to foster diversity and create a more inclusive workplace. OPM works closely with Federal agencies and employees, including Federal employee resource and affinity groups to enlist their support and to achieve common agency-wide goals and objectives in this critically important area.

Equally important is improving the experience for applicants who are seeking employment in the Federal government. In this area, OPM is making significant improvements to USAJOBS, including improved underlying search architecture to make way for better search results for both recruiters and jobseekers, the ability for job seekers to search by geographic locations, making the website mobile friendly, allowing job seekers to access USAJOBS from any device with full access to all features, and simplifying the process by which agencies are able to access USAJOBS data to support recruitment efforts so that agencies and job seekers are better able to find one another. Going forward, OPM is looking to continue to enhance the user experience and

deliver a website that is thoughtfully crafted, personalized and serves as a valued resource for individuals exploring employment opportunities for federal service.

And finally, a third key pillar of the PMA is supporting the Senior Executive Service, given the critical role that these leaders play in the operations and mission impact of their agencies. Recently, the Administration issued an Executive Order: Strengthening the Senior Executive Service, that reflects the Administration's commitment to investing in and supporting senior leaders and ensuring agencies are developing talent pipelines for the future. OPM looks forward to continuing to support this important effort.

National Background Investigations Bureau

Last year, in light of increasing cybersecurity threats and incidents, the 13-agency Suitability and Security Clearance Performance Accountability Council (PAC) initiated an interagency Suitability and Security Review (the 'Review'). The Review sought the advice of experts within and outside government to seek ways to best secure the sensitive data collected as part of background investigation processes and modernize this critical governmental function so that its governance, workforce and business processes meet higher performance standards. The interagency group was tasked with developing additional enhancements to further secure Federal information and strengthen the systems supporting background investigation processes, as well as with re-examining reforms.

The Review concluded that there was a need to make further reforms to the background investigation function that would build upon the efforts already underway. In January of this year, the Administration announced a framework for strategic and structural changes to modernize and fundamentally strengthen how the Federal Government performs background investigations. OPM has and will work closely with our interagency partners on this effort that is so critical to the integrity of the Federal workforce and our Nation's security. In conjunction with this effort, OPM will stand up the NBIB, a government-wide service provider for background investigations which will be housed within OPM. Pursuant to that strategy, the DOD, with its unique national security perspective, will design, build, secure, and operate the NBIB's investigative IT systems in coordination with the NBIB. As part of developing the timeline for transition, we are working along with DOD to establish an initial schedule to sunset the OPM IT systems currently supporting background investigations. It is important to note that OPM is not requesting additional funding to support this transition work, which will be supported by the fees that are paid to OPM's Revolving Fund by Federal agencies to reimburse the costs of operating NBIB including conducting full background investigations.

To begin the implementation phase of these reforms, we are establishing this month a transition team composed of personnel from PAC member agencies. The team will be responsible for creating a comprehensive implementation plan to support standing up the NBIB and will work closely with OPM's FIS leadership to ensure minimal disruption for agencies that rely on us to perform background investigations. Our goal is to have the NBIB's initial operating capability officially established with a new organizational design and leader by October 2016, though implementation work will remain to be done after this date. OPM would continue to maintain

and secure the existing systems used for background investigations and collaborate with DOD on the transition to DOD-managed systems and infrastructure. The FY 2017 request does not include additional appropriated funds for OPM for this transition.

I want to thank the Committee for its support of our FY 2016 budget request, which is allowing OPM to continue to strengthen its cyber defenses and IT systems in the face of today's evolving threats, by focusing on technology, people, and processes. We are also committed to implementing provisions of the Consolidated Appropriations Act for FY 2016, which extends identity protection services to help those individuals who were impacted by the malicious cyber intrusions. Along with continuing to improve OPM's cybersecurity and IT posture, our main goals are to work to stand up the new NBIB, while continuing to provide quality background investigation services to our agency customers, and implement the initiatives that make up the People and Culture pillar of the PMA so that OPM may lead agencies in their efforts to recruit, train, and retain a world-class workforce.

Thank you for this opportunity to testify today and I am happy to address any questions you may have.