July 2, 2019

The Honorable Gerald Connolly
Chairman
Subcommittee on Government Operations
House Committee on Oversight and Reform

Dear Mr. Chairman

On May 21, 2019, I testified as GAO's witness for the Subcommittee on Government
Operations' hearing titled, "The Administration's War on a Merit Based Civil Service." The
enclosure to this letter contains GAO's responses to your questions for the record from that
hearing.

If you or your staff have any questions about these responses, please contact me at (202) 512-
6806 or McNeilT@gao.gov.

Sincerely yours,

Triana McNeil
Acting Director, Strategic Issues

Enclosure

GAO Responses to Questions for the Record: The Administration's War on a Merit Based Civil Service (May 21, 2019)
Subcommittee on Government Operations
Questions from Chairman Connolly

1. What are the potential ramifications for deterring waste, fraud, abuse, and mismanagement should this reorganization be implemented as proposed?

Answer: We have not specifically reviewed the ramifications the reorganization would have for deterring waste, fraud, abuse and mismanagement. However, as noted in our May 21, 2019 testimony, these will all be important considerations for the administration to address as the proposal moves forward.[1]

Specifically, we said that OPM's proposed reorganization should address agency management challenges such as those in our high-risk program, our priority open recommendations, or those identified by agency inspector generals. Although OMB, OPM, and GSA are aware of our related prior work, including our identification of major management challenges, it is not clear how the proposed reorganization will help address these challenges. Moreover, many of these challenges are significant and include updating OPM's security plans to better secure its high impact systems, as well as helping agencies address mission critical skills gaps. Going forward, by addressing major management challenges and adopting best practices and processes as part of the reorganization effort, the administration will be better positioned to implement its proposal.

2. In the Government Accountability Office's (GAO's) opinion, how long do federal agencies typically need to plan and implement a change of the magnitude OPM is attempting with its proposed reorganization?

Answer: We have previously reported, a major organizational transformation is a substantial commitment that could take years before it is fully implemented, and therefore must be carefully and closely managed.[2] As we stated in our May 21, 2019 testimony, certain key practices should be in place for any organizational change to be successful—including developing an implementation plan that includes outcome-oriented goals, deliverables, and realistic timeframes. In any major change initiative, it is essential to establish and track implementation goals and a timeline to pinpoint performance shortfalls and gaps and suggest midcourse corrections. By demonstrating progress towards these transformation goals, the organization builds momentum and demonstrates that real progress is being made.

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[1]GAO, *Government Reorganization: Issues to Consider in the Proposed Reorganization of the Office of Personnel Management*, GAO-19-575T (Washington, D.C.: May 21, 2019).

[2]GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: Jul. 2, 2003).

3. **What documents have you requested from the Office of Personnel Management (OPM) but not received?**

Answer: We requested documents from OPM related to the possible merger of OPM with GSA and OMB, including their agency-specific reform plan, implementation or transition plans that include performance goals, measures, and implementation timeframes, cost-benefit analysis, legal analysis, and strategic workforce plans, including any supporting documentation and data. As of July 1, 2019, we had not received documentation from OPM that satisfied our request for this information.

4. **GAO plans to release the final report in September that examines the Administration's reorganization efforts, do you think your analysis will change between now and then? If not, why not? If so, what could change?**

Answer: The extent to which GAO's analysis and findings will change depends on whether we receive any new relevant information prior to the release of our final report (see our response to question 3 above). GAO continues to work with OPM officials to identify and obtain information that can be used to determine the extent to which the agency is addressing the key practices for government reorganization we identified in our June 2018 report, and related work on reorganizations and transformations.[3]

5. **Is there any component of the Administration's proposed reorganization of OPM that is currently well analyzed or justified?**

Answer: According to our preliminary analysis, as of July 1, 2019, OMB, OPM, and GSA have generally not followed key practices for effective government reorganizations, including establishing outcome-oriented goals, developing a cost-benefit analysis or implementation plan, and have not fully involved or communicated their efforts with the Congress, employees, and other key stakeholders. In its justification for the reform, OMB recognizes that federal human capital management remains one of our high-risk areas due to mission-critical skills gaps within the federal workforce. Although GAO and OPM agree on some of the risks and challenges facing OPM and the federal workforce, we have not received information from OPM to demonstrate how the proposed reorganization would help resolve related high-risk issues.

6. **In GAO's oversight efforts related to this reorganization, what has GAO found that OPM has done to follow best practices outlined in your June 2018 report, including providing contingency plans, engaging employees, involving key stakeholders, and using data and evidence to support the proposal?**

Answer: According to our preliminary analysis, as of July 1, 2019, OPM has generally not followed key practices for effective government reorganizations, including establishing outcome-oriented goals, developing a cost-benefit analysis or implementation plans, and has not fully

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[3]GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, GAO-18-427 (Washington, D.C.: June 13, 2018).

involved or communicated their efforts with the Congress, employees, and other key stakeholders. GSA, which is working with OPM on its proposed reorganization, provided GAO with documents and information to show the agency had partially addressed some key practices by, for example, dedicating staff and resources to the reorganization effort, and communicating with employees. However, we have not received most documentation we have requested from OPM as noted in our response to question 3.

7. What steps could OPM take to start improving its operations and the information technology problems Ms. Weichert discussed?

Answer: In a report released in May 2019, we highlighted various aspects of OPM's Retirement Services operations that need improvement, which include addressing information technology challenges.[4] For example, while OPM has developed a strategic vision consisting of five key initiatives for modernizing retirement application processing, OPM was unable to provide estimated cost ranges or proposed timeframes. Without a plan that is consistent with IT project management principles, OPM is less able to articulate a path forward in measurable terms and assess performance toward achieving its objectives. As such, we recommended that OPM develop a retirement IT modernization plan for initial project phases. In addition, we issued several recommendations with specific actions for OPM to take to better manage, assess, and improve its retirement processing operation and related staffing challenges.

We have made numerous recommendations to OPM for improving its information security posture.[5] However, to date OPM has not provided sufficient evidence that it has implemented 20 of our outstanding information security recommendations. These 20 include five that we consider to be high priority recommendations. In addition to the 20 open recommendations, we are reviewing another nine to determine whether actions taken by OPM are sufficient to validate that those recommendations are implemented. Until OPM effectively implements our recommendations, its operating environment remains at increased risk of disruption, and sensitive data maintained on its systems remain at risk of unauthorized access, modification, and disclosure.

8. What is GAO's estimate for the budget shortfall OPM may face when the National Background Investigations Bureau moves to the Department of Defense?

Answer: In the statement accompanying her May 21, 2019, testimony, OPM's Acting Director noted that the decision to transfer most of the mission of the National Background Investigations Bureau and related staff and resources to DOD will create an initial funding gap for OPM of up

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[4]GAO, *Federal Retirement: OPM Actions Needed to Improve Application Processing Times*, GAO-19-217: (Washington, D.C.: May 15, 2019).

[5]GAO, *Priority Open Recommendations: Office of Personnel Management*, GAO-19-322SP (Washington, D.C.: Apr. 3, 2019).

to $70 million in fiscal year 2020.[6] GAO has not done an independent assessment of the budget shortfall OPM may face when the National Background Investigations Bureau moves to the Department of Defense.

However, we have related work which explains the process for funding background investigations. As we reported in 2012, since 1952, OPM (or its predecessor agency, the Civil Service Commission) has financed elements of its background investigations program through a revolving fund, which means that revenues recovered from customer agencies (i.e., prices for background investigations products) pay for the program's fiscal year operating costs (including both the costs of conducting an investigation and overhead costs).[7]

OPM provides its customer agencies with an annual background investigation product pricing list for the upcoming fiscal year, and bills monthly according to the rate in effect at the time the customer agency places an order for an investigation. Each year, OPM officials estimate their total costs and calculate the total anticipated revenue for the coming year. To develop the prices of its investigation products, OPM estimates revenue for the upcoming year, which is based upon OPM's expected investigation workload, multiplied by the current prices, adjusted to cover projected costs for the coming fiscal year. As a result, prices are set to fully recover operating costs, and as we reported in 2012, in some cases, have led to a surplus for OPM for certain periods of time.

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[6]Office of Personnel Management, Margaret Weichert, Acting Director, statement to the House Subcommittee on Government Operations Committee on Oversight and Reform (May 21, 2019).

[7]GAO, *Background Investigations: Office of Personnel Management Needs to Improve Transparency of Its Pricing and Seek Cost Savings*, GAO-12-197 (Washington D.C.: Feb 28, 2012).