



**STATEMENT OF**

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**BEFORE THE**

**SUBCOMMITTEE ON GOVERNMENT OPERATIONS**

**COMMITTEE ON OVERSIGHT AND REFORM**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**MAY 21, 2019**

Good afternoon Chairman Connolly, Ranking Member Meadows, and Members of the Subcommittee. Thank you for inviting me to speak to you today about the Administration's reorganization of the U.S. Office of Personnel Management (OPM). Specifically, I will be speaking about the transfer of the background investigation function to the U.S. Department of Defense (DoD) and the proposed transfer of other OPM activities to the U.S. General Services Administration (GSA).

We recognize that OPM is facing many daunting challenges, including the need to modernize several legacy IT systems and the \$70 million deficit in OPM's operating budget created by the transfer of the National Background Investigations Bureau (NBIB) to DoD. As agency leadership works to solve OPM's many challenges, it is crucial they engage in careful planning and fact-based decision making if any effort at reform is to succeed.

## **I. Transfer of the Background Investigation Function to DoD**

The Fiscal Year (FY) 2017 National Defense Authorization Act (NDAA) first addressed the transfer of the background investigation function performed by NBIB to DoD, requiring the development of a plan by which DoD could begin conducting background investigations for DoD personnel and contractors by October 1, 2017. A year later, Congress affirmed its commitment to this institutional change via the FY 2018 NDAA, which officially directed the transfer of NBIB's DoD-related background investigation activities (approximately 70 percent of its workload) to DoD.

After the FY 2018 NDAA, the Administration studied the Governmentwide impact of having the background investigation program bifurcated between DoD and OPM. As NBIB Director Charles S. Phalen, Jr., explained recently to the House of Representatives Committee on Armed Services, "the Administration concluded that to achieve an efficient, effective, fiscally viable and secure operation that meets the needs of the Executive Branch, it is necessary for the background investigation program to remain consolidated through a complete transfer of NBIB to DoD."<sup>1</sup> On April 24, 2019, President Donald J. Trump signed Executive Order 13869, which provides for a phased transition of 100 percent of NBIB's activities to DoD. The Executive Order requires DoD and OPM to develop a transition plan by June 24, 2019.

To help implement Congress' directive, OPM engaged GreenZone Solutions and Deloitte to conduct an agencywide assessment of the impact of transferring NBIB functions to DoD. The consultants "reviewed more than \$2 billion of financial transaction data[,] ... analyzed more than 15 key systems, and conducted over 100 interviews across the OPM enterprise."<sup>2</sup> The resulting 200-page report provided valuable insights (including financial and workforce analyses) that OPM has used as it prepares to execute the FY 2018 NDAA directive and subsequent Executive Order.

At this time, our office does not have any specific concerns to raise regarding this transfer of functions to DoD by Executive Order. We look forward to reviewing the June 24<sup>th</sup> transition plan, and if we have any concerns at that time, we will issue a management advisory.

## **II. Transfer of Other OPM Activities to GSA**

The Administration introduced its proposal to transfer certain OPM activities to GSA in June 2018 with its report *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*. The President's FY 2020 Budget provided additional details, explaining that the Administration proposes to transfer OPM's Retirement Services, Healthcare & Insurance, Merit Systems & Compliance, OIG, and support offices to GSA. The

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<sup>1</sup> Statement of Charles S. Phalen, Jr., before the Subcommittee on Oversight and Investigations, Committee on Armed Services, United States House of Representatives, Hearing on Security Clearance Processing Status Report (Dec. 12, 2018), at page 1.

<sup>2</sup> *OPM Agency Impact Assessment: The Impacts of Moving Federal Background Investigations from the Office of Personnel Management to the Department of Defense* (September 28, 2018), at page i.

Administration's hope is that by such a transition "considerable operational efficiencies can be achieved, as well as stronger cybersecurity, and improved customer service."<sup>3</sup>

There is a distinct difference between the transition of NBIB to DoD and the other OPM reforms the Administration is proposing: Congress made the decision to transfer NBIB, and the Administration's role was to determine how it could most efficiently execute that directive. In contrast, the proposal to transfer OPM functions to GSA originated entirely within the Executive Branch. As such, it needs to demonstrate to Congress and the American taxpayers that such a transfer is a well-reasoned policy change that will result in more efficient and effective Government operations.

OPM, in conjunction with GSA and the Office of Management and Budget (OMB), developed a Tollgate process wherein working groups discuss how the transition might proceed and identify obstacles that must be addressed to effect a successful outcome. Major decision points are elevated to the agency heads (OPM, GSA, and OMB) for approval. While in theory this seems like a good strategy, the majority of discussions to date are based on potential transfer authority assumptions that have yet to be legally supported. Based on the information we have received to date, we are concerned the agency is making decisions to align with a predetermined desired outcome without conducting adequate evidence-based analysis.

The documentation OPM has thus far provided to the OIG fails to deliver the data and analysis necessary for us to assess whether this proposal will promote or improve economy, efficiency, and effectiveness in the administration of OPM programs. We believe OPM and GSA must at a minimum conduct a workforce planning analysis and a comprehensive financial analysis of the potential costs of and savings from such a substantial reorganization.<sup>4</sup> As the U.S. Government Accountability Office (GAO) observed in its most recent report on government reorganizations, "[w]hen reforming a given program, the use of data and evidence is critical from setting program priorities and allocating resources to taking corrective action to solve performance problems and ultimately improve results."<sup>5</sup> Furthermore, to date we have not received documentation demonstrating that OPM leadership meaningfully examined other alternatives besides the transfer of functions to GSA to address OPM's challenges. We cannot know if the proposed transfer to GSA is the most cost-efficient and effective option if no other options are evaluated. In fact, we do not know if the transfer of functions to GSA would be cost-efficient and effective at all.

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<sup>3</sup> FY 2020 President's Budget, Analytical Perspectives, Chapter 8. Reorganization, *available at: [https://www.whitehouse.gov/wp-content/uploads/2019/03/ap\\_8\\_reorganization-fy2020.pdf](https://www.whitehouse.gov/wp-content/uploads/2019/03/ap_8_reorganization-fy2020.pdf)*, at page 81.

<sup>4</sup> On May 13, 2019, OPM provided us with an 11-slide PowerPoint presentation discussing some potential cost savings. It did not attempt to compare the savings against the costs of the transition. We were not provided the supporting documentation, so we are unable to confirm the purported cost savings calculations. Further, this document does not contain the level of detail necessary to allow agency leadership to make informed decisions regarding whether and how the merger should proceed.

<sup>5</sup> GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, GAO-18-427 (Washington, DC, June 13, 2018), at page 11 (internal citations omitted).

### *OPM's Past Shows Data-Driven Analysis and Planning are Crucial*

One reason we are so concerned regarding the proposed transfer to GSA is that OPM has not provided documentation to demonstrate that it has collected sufficient data or conducted an objective data-driven analysis of alternative options. Without these, a project has a higher risk for failure.

In 2014, OPM undertook a massive infrastructure improvement project that included a complete overhaul of the agency's technical infrastructure. This involved implementing additional IT security controls and then migrating the entire infrastructure into a completely new environment referred to as "the Shell." Without conducting adequate analysis and planning, the leadership of OPM at the time decided that the Shell was the appropriate solution to OPM's IT legacy system problem, and made decisions in line with their predetermined narrative.

In June 2015, our office issued a Flash Audit Alert expressing our concern to then-Director Katherine Archuleta that OPM had "initiated this project without a complete understanding of the scope of OPM's existing technical infrastructure or the scale and costs of the effort required to migrate it to the new environment."<sup>6</sup> We noted at the time that OPM had not completed a Major IT Business Case as required by OMB, and OPM's overall project management process lacked a number of critical artifacts considered best practice by organizations such as the Information System Audit and Control Association and the Committee of Sponsoring Organizations of the Treadway Commission. Our office cautioned that "[w]ithout these disciplined processes, there is a high risk that this Project will fail to meet all of its stated objectives."

In 2016, OPM abandoned this modernization initiative after spending over \$50 million and with little to show for its efforts. Had the agency taken a careful, methodical approach, the infrastructure improvement project might have addressed many of the IT challenges OPM is facing today.

### **III. Conclusion**

We understand OPM leadership is eager to address the pressing challenges that face the agency and have developed an aggressive vision for OPM. However, for any solution to be efficient and effective, it *must* be accompanied by careful analysis and objective planning based on solid financial and workforce data. If it is not, we fear any attempt to address these challenges increases the risk of failure, which would waste taxpayer dollars; disrupt the administration of benefit programs relied upon by Federal employees, annuitants, and their families; and undermine the civil service.

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<sup>6</sup> Memorandum from OPM Inspector General Patrick E. McFarland for OPM Director Katherine Archuleta, "Flash Audit Alert – U.S. Office of Personnel Management's Infrastructure Improvement Project (Report No. 4A-CI-00-15-055)" (June 17, 2015), at page 1.