United States Government Accountability Office

Testimony
Before the Subcommittee on Government Operations, Committee on Oversight and Reform, House of Representatives

For Release on Delivery
Expected at 2:00 p.m.ET
Tuesday, May 21, 2019

GOVERNMENT REORGANIZATION

Issues to Consider in the Proposed Reorganization of the Office of Personnel Management

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Accessible Version

GAO-19-575T

GAO Highlights

Highlights of GAO-19-575T, a testimony before the Subcommittee on Government Operations, Committee on Oversight and Reform, House of Representatives

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Why GAO Did This Study

In June 2018, the administration proposed reorganizing OPM by devolving its responsibilities to other agencies and entities including GSA and the EOP; see the figure for details. OMB's role is to coordinate and oversee the reorganization proposal, with support from OPM and GSA. In June 2018, GAO reported on key practices to assess agency reform efforts.

This testimony focuses on preliminary observations from GAO's ongoing work related to the transfer of functions from OPM to GSA and the EOP. Specifically, we evaluated (1) the extent to which OMB, OPM, and GSA have addressed key practices for effective reforms and reorganizations; (2) legal authorities that may affect the reorganization of OPM, and (3) key capacities important for effective strategic human capital management, which need to be in place regardless of how the leadership over federal human capital is organized.

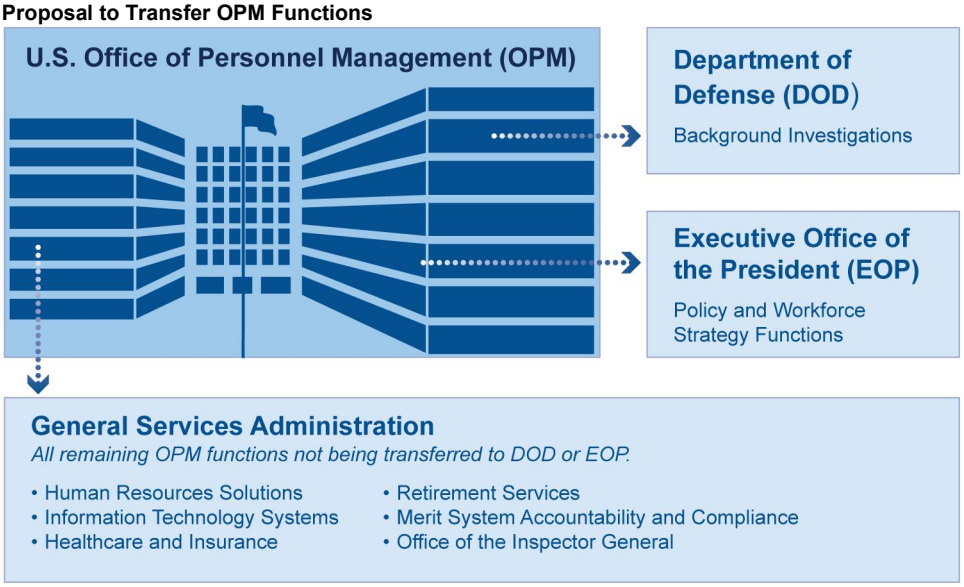
For the information in this testimony, as of May 17, 2019, GAO met with OMB staff, GSA officials, OPM's and GSA's Inspectors General staff, and analyzed documentation provided by GSA. GAO also reviewed its prior related work.

View GAO-19-575T. For more information, contact Triana McNeil at (202) 512-6806 or McNeilT@gao.gov.

What GAO Found

The Office of Management and Budget (OMB), Office of Personnel Management (OPM), and General Services Administration (GSA) have generally not addressed key practices for agency reform efforts as they have moved forward with their proposal to reorganize OPM. They have not established outcome-oriented goals, developed a cost-benefit analysis or implementation plans, and have not fully involved or communicated their efforts with the Congress, employees, and other key stakeholders. OPM and GSA also have not shown how they will address management challenges that may affect their ability to successfully reorganize the government's central human capital functions.

Proposal to Transfer OPM Functions



Source: GAO analysis of OMB's documents. | GAO-19-575T

OMB, OPM and GSA have not identified specific actions, as of May 17, 2019, that can be taken administratively versus those that will require legislative action to reorganize OPM. The administration has acknowledged the need for additional statutory authority to execute certain transfers of functions from OPM to GSA and the Executive Offices of the President (EOP), but has also stated that it will rely on existing authority to move certain functions administratively. Without additional information from OMB and agencies, GAO cannot assess the legal authorities the administration is relying on to implement the reorganization.

As the Congress and administration consider whether or how to restructure OPM, it will be important to retain the capacity to execute certain government-wide, strategic human capital functions, regardless of the decision made about the organizational arrangement. These capacities include an ability to identify future workforce trends and to effectively collaborate with stakeholders—for the purpose of creating, executing, and overseeing human capital policies and programs, and enforcing civil service laws and regulations. This is particularly important because GAO continues to designate strategic human capital management as a high-risk area.

Chairman Connolly, Ranking Member Meadows, and Members of the Subcommittee:

I am pleased to be here today to discuss the administration's proposal and ongoing efforts to reorganize the Office of Personnel Management (OPM). As OPM and the law that created it both turned 40 last year, policymakers and human capital experts have suggested that changes to both may be needed for agencies to attract and retain high-performing employees with the skills necessary to meet their current and evolving missions.[1] We first added federal strategic human capital management to our list of high-risk government programs and operations in 2001.[2] Congress, OPM, and individual agencies have made improvements since then. However, federal human capital management remains a high-risk area because mission-critical skills gaps within the federal workforce pose a high risk to the nation.[3]

In June 2018, the administration released its government-wide reform plan, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations* (reform plan).[4] It put forward a set of reorganization proposals aimed at organizational realignments, changes in mission focus, management improvements, achieving operational efficiencies, and developing new capabilities. The reform plan includes proposals to reorganize OPM by devolving its responsibilities to other agencies and entities including the General Services Administration (GSA) and the Executive Offices of the President (EOP). The Office of Management and Budget (OMB) has a central role in coordinating and overseeing the reform proposals, with support from the lead agencies that are most directly affected by the reorganization, including OPM and GSA.

My statement today provides our preliminary observations on (1) the extent to which OMB, OPM and GSA have addressed key practices for

[1]Section 201(a) of the Civil Service Reform Act of 1978, Pub. L. No. 95-454, 92 Stat. 1111, 1118-21 (Oct. 13, 1978), codified as amended at chapter 11 of title 5, United States Code.

[2]GAO, *High Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

[3]GAO, *Federal Workforce: Key Talent Management Strategies for Agencies to Better Meet Their Missions,* GAO-19-181 (Washington, D.C.: Mar. 28, 2019).

[4]Office of Management and Budget, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*. June 21, 2018.

effective reforms and reorganizations in their proposal to reorganize OPM; (2) legal authorities that could affect the implementation of OPM's reorganization; and (3) key capacities important for effective strategic human capital management which need to be in place regardless of how the leadership over federal human capital is organized. A second reform proposal called for the transfer of OPM's background investigations to DOD. Our analysis of the proposal to move background investigations against our key practices is underway, and is not included as part of this statement.[5]

To assess the extent to which OMB, OPM, and GSA followed key practices, as of May 17, 2019, we interviewed OMB staff and GSA officials, and obtained and reviewed documents from GSA related to leading and managing the OPM transfer. As of May 17, 2019, OMB and OPM did not provide us with documents we requested on OPM's reorganization. We also met with OPM's Acting Inspector General and his staff, as well as staff from GSA's Office of Inspector General (IG), to discuss their monitoring efforts and reports on major management challenges affecting OPM and GSA.[6]

We also reviewed the reform plan, the President's fiscal year 2019 and fiscal year 2020 budget requests, and relevant congressional hearing statements to obtain additional information on the administration's

[5]The National Defense Authorization Act for Fiscal Year 2018 contains a provision that, among other things, authorizes DOD to conduct its own background investigations, and requires DOD, not later than October 1, 2020, to begin carrying out the implementation plan for the transfer of personnel and resources to DOD required by section 951 of the National Defense Authorization Act for Fiscal Year 2017. It also requires the Secretary of Defense, in consultation with the Director of OPM, to provide for a phased transition. *See* Pub. L. No. 115-91, § 925(a), (b) (2017). This means that the vast majority of background investigations, about 70 percent according to OMB, that OPM has been conducting was already authorized to be transferred to DOD. On April 24, 2019, the President issued an Executive Order providing for, among other things, the Defense Counterintelligence and Security Agency within DOD to serve as the primary entity for conducting background investigations for the federal government. Executive Order No. 13869, *Transferring Responsibility for Background Investigations to the Department of Defense*, 84 Fed. Reg. 18125 (Apr. 24, 2019).

[6]General Services Administration Office of Inspector General, *GSA's Internal Control Management Challenge* (Nov. 30, 2018); Office of Personnel Management Office of the Inspector General, *The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2017* (Nov. 1, 2017).

priorities and time frames.[7] We assessed OMB's, OPM's, and GSA's activities against relevant key practices from our June 2018 report, and related work on reorganizations and transformations.[8] The preliminary findings included in this statement are primarily focused on change management practices that we determined were most relevant to the proposed reorganization of OPM. We will apply additional key practices from our June 2018 report in our assessment of selected government-wide reforms, as we complete our review. We also reviewed our prior work on fragmentation, overlap, and duplication in federal programs, high-risk issues in the federal government, and other long-standing agency management challenges, including relevant priority open recommendations addressed to OPM and GSA.[9]

To assess whether legal authorities may affect the implementation of the reorganization, we sent written requests to OMB, OPM, and GSA asking for their legal analysis of the existing authorities that are being used to implement the reorganization, and any legislative changes that may be required. As of May 17, 2019, these agencies had not provided us with a legal analysis responsive to our request. We also interviewed OMB staff and GSA officials about which authorities were being used, and whether legislative changes would be needed to fully implement OPM's reorganization. In addition, we reviewed the OPM reorganization proposal, and relevant OMB and agency documentation to determine the laws and other legal authorities that may affect the reform. To the extent possible given information provided by OMB and agencies, we evaluated

[7]Office of Management and Budget, Margaret Weichert, Deputy Director for Management, *Reshaping American Government in the 21st Century,* testimony to the House Oversight and Government Reform Committee (June 27, 2018); Margaret Weichert, Deputy Director for Management, *Reshaping American Government in the 21st Century,* testimony to the Senate Committee on Homeland Security and Governmental Affairs (July 18, 2018).

[8]GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, GAO-18-427 (Washington, D.C.: June 13, 2018); and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations,* GAO-03-669 (Washington, D.C.: July 2, 2003).

[9]GAO, *Priority Open Recommendations: General Services Administration*, GAO-19-317SP (Washington, D.C.: Apr. 10, 2019); *Priority Open Recommendations: Office of Personnel Management*, GAO-19-322SP (Washington, D.C.: Apr. 3, 2019); *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, GAO-19-157SP (Washington, D.C.: Mar. 6, 2019); and *2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-18-371SP (Washington, D.C.: Apr. 26, 2018).

whether changes to such authorities may be required to fully implement the reform.

To identify key capacities important for effective strategic human capital management, we analyzed our prior work on federal human capital issues. We also reviewed OPM documents, such as OPM's 2018-2022 Strategic Plan and relevant laws and regulations.[10]

We briefed OPM and GSA officials on the information contained in this statement. We also offered to brief OMB.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards.

Background

Government-wide Reform Plan Requirements

In March 2017, the President issued an executive order requiring comprehensive reorganization plans for executive branch agencies (see fig. 1).[11]

Figure 1: Overview of Timeline for the Development of the Government-Wide Reform Plan

Source: GAO analysis of OMB documents. | GAO-19-575T

[10]Office of Personnel Management, *OPM Strategic Plan, Fiscal Years 2018 – 2022* (February 2018).

[11]Executive Order No. 13781, *Comprehensive Plan for Reorganizing the Executive Branch*, 82 Fed. Reg. 13959 (Mar. 13, 2017).

In April 2017, OMB provided guidance to federal agencies for developing their respective reform plans.[12] The government-wide reform plan was to have been based on the agency reform plans, OMB-coordinated crosscutting proposals, and public input. According to OMB's M-17-22 guidance, OMB, in coordination with the President's Management Council, was to establish a way to track the progress of the reforms. OMB's guidance also stated that it would track progress of the reforms by leveraging the federal performance planning and reporting framework originally put into place by the Government Performance Results Act of 1993 (GPRA), and significantly enhanced by the GPRA Modernization Act of 2010 (GPRAMA), through the use of cross-agency priority (CAP) goals, agency priority goals, and Performance.gov.[13]

In March 2018, OMB released the President's Management Agenda (PMA), which provided information on the preliminary status of government reorganization efforts and is connected with these reform efforts.[14] The PMA also identified a set of CAP goals, required under GPRAMA, to target those areas where multiple agencies must collaborate to effect change and report progress in a manner the public can easily track.[15] The PMA gave OPM a key role in fulfilling the administration's human capital-related goals. Specifically, OPM, along with OMB and the Department of Defense (DOD), were tasked to "align and strategically manage the workforce to efficiently and effectively achieve the federal government's mission."

[12]OMB was directed to submit a comprehensive plan to reorganize executive branch departments and agencies pursuant to Executive Order No. 13781. See OMB, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce,* M-17-22 (Washington, D.C.: Apr. 12, 2017) for agency guidance on reform plans.

[13]Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993). Pub. L. No. 111-352, 124 Stat. 3866 (Jan. 4, 2011). At the agency level, every 2 years, GPRAMA requires that the heads of certain agencies, in consultation with OMB, identify a subset of agency performance goals as agency priority goals reflecting the agencies' highest priorities. GPRAMA also calls for a single, government-wide performance website to communicate government-wide and agency performance information, which is Performance.gov.

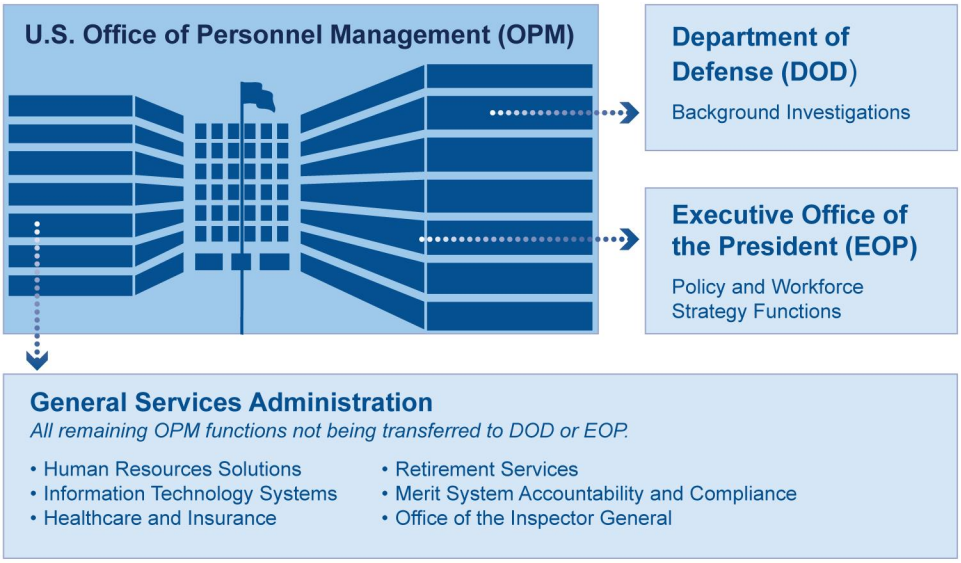
[14]See https://www.whitehouse.gov/omb/management/pma/ for the President's Management Agenda. URL last accessed May 15, 2019. Office of Management and Budget, *President's Management Agenda*, (Washington, D.C.: April 2017).

[15]CAP goals are crosscutting and include outcome-oriented goals covering a limited number of policy areas, as well as goals for management improvements needed across the government. OMB is to coordinate with agencies to establish CAP goals at least every 4 years.

OPM Reorganization Proposals

The administration is planning to transfer OPM's background investigations to DOD, policy and workforce strategy functions to the EOP, and all remaining functions to GSA (see fig. 2). These remaining functions include human resource solutions, information technology systems, healthcare and insurance, retirement services, merit system accountability and compliance, and IG functions.

Figure 2: Proposal to Transfer OPM Functions



Source: GAO analysis of OMB's documents. | GAO-19-575T

The President's fiscal year 2020 budget proposal, which was issued in March 2019, states that the administration is planning to complete the reorganization of OPM by the end of fiscal year 2020. As such, the budget proposal provided no funds for OPM for fiscal year 2020. According to that budget proposal, "the Administration has been developing plans to execute transfers of OPM functions to GSA and the DOD using a combination of existing legal authority and legislation" since June 2018. The budget proposal also requested $50 million to transfer certain OPM functions to GSA, including an additional $1 million to cover costs associated with merging the OPM IG with the GSA IG. On May 16, 2019, the administration proposed new legislation requesting authority to fully implement its reorganization proposal.

OMB, OPM, and GSA Have Not Fully Addressed Key Reform Practices in Reorganizing OPM

Setting Goals and Measures, and Assessing Costs and Benefits

As we previously reported, a critical first step in the reform and reorganization process is to define the benefits of the merger, and describe how the future will be both different from and better than the past. As of May 17, 2019, OMB, OPM, and GSA had not fully established outcome-oriented goals and performance measures for, or assessed the costs and benefits of, the administration's proposal to reorganize OPM (see fig. 3).

Specifically, GSA provided one document, a draft *Qualitative Business Case and Value Proposition for the GSA/HRS Merger* (October 2018), which includes some preliminary goals and measures, such as to improve customer satisfaction. However, this document focuses only on the goals and measures related to the transfer of human resources solutions from OPM to GSA, rather than on the entire reform proposal. In addition, that document explicitly states that it is not a cost-benefit analysis, and OMB staff have told us that they have not conducted a cost-benefit analysis of the reform. In our prior work on organizational mergers and transformations, we have found that establishing a coherent mission and integrated strategic goals to guide the transformation involves adopting leading practices for results-oriented strategic planning and reporting.[16]

[16]GAO-03-669.

Figure 3: Assessment of Extent to Which Plans to Reorganize the Office of Personnel Management (OPM) Address Selected Key Questions on Establishing Goals and Outcomes

Category	Subcategory	Key Questions	Preliminary Findings
Goals and Outcomes	Establishing Goals and Outcomes	• To what extent has the agency established clear outcome-oriented goals and performance measures for the proposed reforms? • To what extent has the agency shown that the proposed reforms align with the agency's mission and strategic plan? • To what extent has the agency considered the likely costs and benefits of the proposed reforms? If so, what are they?	

Fully addresses Addresses all key questions related to this subcategory.
Substantially addresses Addresses most, but not all, of key questions related to this subcategory.
Partially addresses Addresses at least one of the key questions related to this subcategory.
Does not address Does not address any key questions for this subcategory.

Source: GAO analysis. | GAO-19-575T

Leadership Focus and Attention

We have previously reported that organizational transformations should be led by a dedicated team of high-performing leaders within the agency,[17] and GSA has provided some evidence of this leadership focus and attention, but OMB, OPM, and GSA have only partially addressed this key practice (see fig. 4). According to GSA officials and documents we reviewed, the agency designated a member of its Senior Executive Service as the leader of the reorganization within GSA, and has established a Project Management Office with dedicated staff and resources which will take on the responsibility of supporting the transfer of OPM's functions to GSA. Also, GSA officials told us that OMB leads the reform by, for example, leading meetings under the Six Sigma management approach to manage progress on implementing the reorganization.[18] However, as of May 17, 2019, OMB did not provide

[17]GAO-18-427.

[18]OMB did not provide information on the Six Sigma management approach being applied to the reorganization. However, we have previously reported that Lean Six Sigma is data-driven approach used in the private sector and government for analyzing work processes based on the idea of eliminating defects and errors that contribute to losses of time, money, opportunities, or business. See GAO, *National Nuclear Security Administration: Additional Actions Needed to Collect Common Financial Data*, GAO-19-101 (Washington, D.C.: Jan. 31, 2019).

documents we requested about the role of these management meetings for the reorganization, and OPM did not provide relevant information or documents.

Our past work has also found that leadership should articulate a succinct and compelling reason for the reform, as this helps build morale and commitment to the organizational changes. OMB provided the case for change in several public documents, such as the government-wide reform plan, which primarily state that the administration's reason for moving OPM's functions to GSA and the EOP is that these changes would create greater efficiencies and elevate the importance of human resources policy. However, sharing the case for change is only one key factor in successful reforms and reorganizations. As we stated above, illustrating what success looks like is also important, and involves articulating the specific goals and costs and benefits of the reform.

Figure 4: Assessment of Extent to Which Plans to Reorganize the Office of Personnel Management (OPM) Address Selected Key Questions on Leadership Focus and Attention

Category	Subcategory	Key Questions	Preliminary Findings
Implementing Reforms	Leadership Focus and Attention	• Is there a designated leader or leaders who will be responsible for the implementation of the proposed reforms? • Has leadership defined and articulated a succinct and compelling reason for the reforms (i.e., a case for change)? • Is there a dedicated implementation team that has the capacity, including staffing, resources, and change management, to manage the reform process?	◔

● **Fully addresses** Addresses all key questions related to this subcategory.
◑ **Substantially addresses** Addresses most, but not all, of key questions related to this subcategory.
◔ **Partially addresses** Addresses at least one of the key questions related to this subcategory.
○ **Does not address** Does not address any key questions for this subcategory.

Source: GAO analysis. | GAO-19-575T

Involving and Communicating with Congress, Employees and Key Stakeholders

Our prior work has shown that it is important for agencies to directly and continuously involve their employees, Congress, and other key stakeholders in the development of any major reforms. OMB and GSA have taken some actions to involve and communicate with Congress, employees, and other key stakeholders, but these initiatives lack

documentation (see fig. 5). For example, GSA officials told us that they have met with members of Congress, conducted town hall meetings in which they provided information to and answered questions from GSA officials, and established an email inbox for communication between GSA leaders and employees on the reform. However, as of May 17, 2019, GSA officials had not provided us with documentation of their meetings and communications with employees, and neither OMB nor OPM had provided relevant documents on employee outreach and inclusion.

Figure 5: Assessment of Extent to Which Plans to Reorganize the Office of Personnel Management (OPM) Address Selected Key Questions on Involving Employees and Key Stakeholders

Category	Subcategory	Key Questions	Preliminary Findings
Process for Developing the Reforms	Involving Employees and Key Stakeholders	• To what extent and how has the agency involved other stakeholders, as well as its customers and other agencies serving similar customers or supporting similar goals, in the implementation of the proposed reforms to ensure the reflection of their views? • Is there a two-way continuing communications strategy that listens and responds to concerns of employees regarding the effects of potential reforms? • How will the agency publicize its reform goals and timeline and report on its related progress?	◔

● **Fully addresses** Addresses all key questions related to this subcategory.
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Source: GAO analysis. | GAO-19-575T

Developing and Communicating Implementation Plans with Milestones and Time Frames

We have previously reported that organizational transformations must be carefully and closely managed by developing an implementation plan with key milestones and deliverables to track and communicate implementation progress, among other actions. However, as of May 17, 2019, OMB, OPM, and GSA had not developed an implementation plan or publicly reported on key milestones (see fig. 6). This is the case despite the fact that the President's fiscal year 2020 budget states that the reform is underway in fiscal year 2019, and that all remaining portions of the reform would be completed in fiscal year 2020 through legislation.

Moreover, these agencies have not ensured transparency of their efforts by publicly reporting on implementation progress.

Figure 6: Assessment of Extent to Which Plans to Reorganize the Office of Personnel Management (OPM) Address Selected Key Questions on Managing and Monitoring

Category	Subcategory	Key Questions	Preliminary Findings
Implementing Reforms	Managing and Monitoring	• What implementation goals and a timeline have been set to build momentum and show progress for the reform? In other words, has the agency developed an implementation plan with key milestones and deliverables to track implementation progress? • How has the agency ensured their continued delivery of services during reform implementation? • How is the agency ensuring transparency over the progress of its reform efforts through web-based reporting on key milestones?	○

● **Fully addresses** Addresses all key questions related to this subcategory.
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Source: GAO analysis. | GAO-19-575T

Addressing Existing Management Challenges

Our prior work has shown that successful reorganizations seek to implement best practices in the systems and processes wherever they may be found, and guard against automatically adopting the approaches used by the largest or acquiring component. The risk is that the new organization may migrate less-than-fully efficient and effective systems and processes merely because those systems and processes are most often used.[19] Accordingly, OPM's proposed reorganization should address agency management challenges, such as those in our high-risk program, priority open recommendations, or those identified by agency IGs. OMB, OPM, and GSA are aware of our related prior work, including major management challenges, but have not demonstrated how the proposed reorganization will help address these challenges (see fig. 7).

[19]GAO-03-669.

Based on a document released by the administration on May 15, 2019 discussing its rationale for the merger of OPM and GSA, the reorganization should better support human capital delivery across the federal government by centralizing the services provided by both agencies, and reducing duplication.[20] The reform plan also acknowledges that federal human capital management remains a high-risk area due to mission-critical skills gaps within the federal workforce.[21] The reform plan further states that OPM does not have the capacity to address the high-risk issues we have identified, and progress would be achieved more efficiently by transferring OPM's responsibilities to other government entities, including GSA and the EOP.[22] However, as of May 17, 2019, OMB, OPM and GSA had not provided any documentation or analysis to demonstrate how the proposed reorganization would help resolve high-risk issues.[23]

The reform plan also draws attention to the OPM security breach that occurred several years ago, and cites it as a reason for moving information technology systems to GSA. We have five open priority recommendations to OPM regarding information security, as we reported to OPM in April 2019. For example, in May 2016, we recommended that OPM update security plans to ensure controls specific to high-impact systems are addressed, provide and track training for individuals with significant security responsibilities, and ensure that security control assessments specific to high-impact systems are comprehensive. To fully implement these recommendations, we reported that OPM needs to complete its ongoing efforts in each of these areas by implementing an automated system for management of security controls and security plans, defining and completing its planned corrective actions on training, and reviewing completed security control assessments.

It is unclear whether OMB, OPM, and GSA have fully considered how relevant major management challenges identified by OPM's and GSA's IGs may affect the proposed reorganization (see fig. 7). For example, the

[20]Executive Office of the President, *OPM Reorganization* (May 15, 2019).

[21]Office of Management and Budget, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations* (June 21, 2018), p.51.

[22]Ibid, 51-56.

[23]We have developed guidance to help agencies assess and address duplication and achieve efficiencies. See GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide,* GAO-15-49SP (Washington, D.C.: Apr. 14, 2015).

GSA IG's 2018 report on management challenges contains a number of findings that call into question GSA's capacity to take on certain responsibilities the administration proposes transferring to GSA as part of the reorganization.[24] Specifically, the report discusses GSA's challenges with managing internal controls, prioritizing cybersecurity, and managing human capital. By addressing major management challenges and adopting best practices and processes as part of the reorganization effort, the administration will be better positioned to successfully implement their proposal.

Figure 7: Assessment of Extent to Which Plans to Reorganize the Office of Personnel Management (OPM) Address Existing Management Challenges

Category	Subcategory	Key Questions	Preliminary Findings
Process for Developing the Reforms	Addressing High Risk Areas and Longstanding Management Challenges	• How specifically did the agency consider high-risk issues, agency Inspector General's major management challenges, and other external and internal reviews in developing its reform efforts? • Are the agency's efforts to address those challenges consistent with the proven approach GAO has found to resolve high risk issues? • How will the agency plans monitor the effects proposed reforms will have on high risk areas?	◔

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Source: GAO analysis. | GAO-19-575T

More Information Needed to Fully Assess Legal Authorities to Reorganize OPM

As of May 17, 2019, OMB, OPM and GSA had not provided documentation that they had identified specific actions that can be taken administratively versus those that will require legislative action to reorganize OPM. We asked OMB, OPM, and GSA for their views on what

[24]GSA, Office of Inspector General. *GSA's Internal Control Management Challenge* (Nov. 30, 2018); GSA, Office of Inspector General. *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2019* (Oct. 16, 2018).

legal authority, including appropriations, they are relying on to reorganize OPM, including any additional authority that may be needed. As described earlier in this statement, these agencies have not provided implementation plans or other details on the reorganization. Similarly, they have not provided details on the statutory underpinnings for OPM's reorganization. To the extent the administration identifies the legal authority it is it relying on to support this proposed reorganization, or the additional legal authority it needs, we will continue to assess it.

OPM is statutorily created as "an independent establishment in the executive branch."[25] In addition, the Director of OPM is vested with certain functions by statute, and the Director (or OPM designee) is required to perform those functions, including executing, administering, and enforcing civil service requirements.[26] While the Director of OPM may delegate selected human capital management functions to other agencies, OPM remains statutorily responsible for certain oversight activities, such as establishing standards that apply to such delegated activities and making written findings, where appropriate, if an agency to which OPM delegated human capital management functions acts contrary to law, rule, regulation, or standard, and requiring that the agency take corrective action, among other activities.[27] OPM has various statutorily required responsibilities related to administering civil service retirement, insurance, health benefits, and life insurance programs, among others.

OPM is funded primarily through its revolving fund—which is made up of fees or reimbursements provided by agencies for services OPM provides, such as background investigations and human resources services—transfers from OPM's Earned Benefits Trust Funds for administrative services, and discretionary appropriations for OPM's general activities and the Office of IG.[28]

To execute certain transfers of functions from OPM to GSA, the administration has acknowledged the need for additional statutory

[25]5 U.S.C. § 1101.

[26]5 U.S.C. § 1103(a)(5)(A).

[27]5 U.S.C. § 1104(b).

[28]*See* Consolidated Appropriations Act, 2019, Pub. L. No. 116-6, div. D., tit. V; 5 U.S.C. § 1304(e); OPM, *Congressional Budget Justification and Annual Performance Plan, Fiscal Year 2019* (February 2018).

authority, but has also stated that it will rely on existing authority to move certain functions administratively. For example, the Analytical Perspectives accompanying the President's fiscal year 2020 budget acknowledges that the transfer of OPM functions to GSA will be completed using a combination of existing legal authority and legislation.[29] However, the administration does not identify which functions will require legislation and which OPM functions may be transferred administratively. In particular, OMB's Deputy Director for Management stated, in July 2018, that many of the administration's reorganization proposals can be implemented in whole or in part through existing administrative authorities. The conference report accompanying the 2019 Appropriations Act directed OPM to submit a report that included, among other things, the legal authority under which OPM proposed to transfer the human resources solutions function within the OPM revolving fund to GSA.[30]

OPM's report stated that it and GSA, in consultation with OMB, continue to deliberate upon the application and use of administrative authorities to transfer the OPM functions to GSA. In addition, in April 2019, the General Counsel of OPM told us that the agency is unable to provide its legal analysis to us because it was still in progress and the agency was waiting for certain executive branch actions to be finalized. Without this information, we cannot assess the legal authorities the administration is relying on to implement the reorganization of OPM.

Key Capacities Important for Effective Strategic Human Capital Management

As Congress and the administration consider whether or how to restructure OPM, regardless of the eventual decision about the organizational arrangement, we believe that it will be important to retain the capacity to execute certain government-wide, strategic human capital functions. These include the capacity to (1) identify trends affecting the future of the federal workforce; (2) effectively collaborate and coordinate with key stakeholders to address these government-wide trends; (3) lead the design of government-wide solutions to shared human capital

[29]OMB, *A Budget for a Better America: Promises Kept. Taxpayers First. Analytical Perspectives. Fiscal Year 2020 Budget of the U.S. Government*, 80.

[30]H.R. Rep. No. 116-9, at 678 (2019).

challenges; and (4) administer and enforce civil service laws and regulations. As noted in our prior work, these functions are desirable and appropriate because they generate broad consistency across federal agencies, which is critical for, among other things, ensuring that each federal employee has certain safeguards and protections regardless of where he or she works.[31] They also produce certain efficiencies and economies of scale that come from central coordination, and help maintain a reasonably level playing field among federal agencies when competing for talent. This is particularly important because we continue to designate strategic human capital management as a high-risk area.

While many day-to-day human capital responsibilities have been delegated from OPM to individual agencies over the years, OPM continues to play an important strategic role including in the creation, execution, oversight, and strengthening of human capital policies and programs.[32] For example, OPM's 2018-2022 strategic goals are to:

- Transform hiring, pay, and benefits across the federal government to attract and retain the best civilian workforce.
- Lead the establishment and modernization of human capital information technology and data management systems and solutions.
- Improve integration and communication of OPM services to federal agencies to meet emerging needs.
- Optimize agency performance.

Moreover, OPM was given a key role in fulfilling the human capital-related goal of the most recent President's Management Agenda, in which the administration noted its intention to partner with Congress on "overhauling the statutory and regulatory rules that have, over time, created an incomprehensible and unmanageable civil service system." OPM, along with OMB and DOD was tasked with the goal of aligning and strategically managing the workforce to efficiently and effectively achieve the federal government's mission.

[31]GAO-05-69SP.

[32]Under the Civil Service Reform Act of 1978, OPM was generally authorized to delegate, in whole or in part, functions it was responsible for to individual agencies. The authority to delegate competitive examining for positions which have requirements common throughout the government was generally excluded from this authority to delegate. Pub. L. No. 95-454, § 201, 92 Stat. at 1120-21.

To carry out these government-wide, strategic responsibilities, the following capabilities, whether possessed by OPM or some other entity, will be essential for ensuring cost-effective leadership, management, and oversight of the federal workforce.

The Capacity to Identify Trends Affecting the Future of the Federal Workforce

In our March 2019 report, we noted that such trends as technological advances, an increased reliance on nonfederal partners, and changing demographics and shifting attitudes toward work, are affecting how federal work is done, and consequently the skills and competencies that workers need to accomplish agency missions.[33] Moreover, recent publications by the administration and others have raised concerns about whether the government's employment policies and practices are still relevant and desirable to the current and future workforce.[34]

As far back as 1989, we reported that OPM had not provided the leadership necessary to sustain attention to identifying and resolving critical human resource problems affecting government operations and preparing for the future.[35] Although OPM has made progress in this area and provides a variety of services, its progress has been inconsistent and issues still remain.

For example, in 2018, OPM issued its *Federal Workforce Priorities Report*, which identifies changes in the external environment that will likely affect federal human capital management, including the evolving role of workers, changes in technology, employee health, and shifting generational demographics.[36] OPM has also hosted a series of symposia

[33]GAO, *Federal Workforce: Key Talent Management Strategies for Agencies to Better Meet Their Missions*, GAO-19-181 (Washington, D.C.: Mar. 28, 2019).

[34]For example, see President's Management Council and the Executive Office of the President, President's Management Agenda (Washington, D.C.: March 2018), and National Academy of Public Administration, *No Time to Wait: Building a Public Service for the 21st Century* (Washington, D.C.: July 2017); GAO-19-181.

[35]GAO, *Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges*, GAO/GGD-89-19 (Washington, D.C.: Jan. 19, 1989).

[36]United States Office of Personnel Management, *2018 Federal Workforce Priorities Report.* (Washington, D.C.: February 2018).

that provide human capital specialists insight on addressing workforce challenges of the future.

While these and other efforts are all important steps in the right direction, more work is needed in other areas. For example, as discussed in our March 2019 report, over the years we have made a number of recommendations to OPM to help agencies better meet their missions in an era of changing technology, demographics, fiscal constraints, and other challenges.[37] OPM agreed with most of these recommendations and has made some progress, but additional actions are needed. They include, for example, identifying existing skills and competencies, assessing gaps in existing and future skills and competencies, and monitoring progress toward closing skills gaps. Moreover, in our March 2019 High Risk report, we noted that OPM needs to fully address the recommendations in our January 2015 report. Our recommendation called on OPM to make more strategic use of government workforce data to build a predictive capacity for identifying and mitigating emerging skill gaps across government.[38]

The Capacity to Effectively Collaborate and Coordinate with Key Stakeholders

Certain human capital issues, such as addressing mission critical skills gaps, are crosscutting in nature and require the coordinated efforts of multiple stakeholders. However, a key challenge we identified in our May 2014 report on strategies to help agencies meet their missions in an era of highly constrained resources was that the federal human capital community is highly fragmented, with multiple actors both inside and outside of government informing and executing human capital policies and initiatives in ways that are not always aligned with broader, government-wide human capital efforts.[39]

Within government, OPM, OMB, the Chief Human Capital Officers (CHCO) Council, and individual agencies create, implement, and oversee

[37]GAO-19-181.

[38]GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas,* GAO-19-157SP (Washington, D.C.: Mar. 6, 2019).

[39]GAO, *Human Capital: Strategies to Help Agencies Meet Their Missions in an Era of Highly Constrained Resources*, GAO-14-168 (Washington, D.C.: May 7, 2014).

human capital initiatives. Those initiatives are shaped, in part, by input provided by labor unions and federal management councils such as the President's Management Council. The federal chief human capital officers with whom we spoke noted that each of these actors possess its own mission, initiatives, agendas, chain of command, budgets, and oversight. While this is to be expected given their various roles and responsibilities, these same factors can create disincentives to collaborating to achieve common human capital goals.

In response to this issue, we recommended in 2014 that OPM work with the CHCO Council to, among other actions, strengthen coordination and leadership on government-wide human capital issues. OPM agreed with our recommendation and issued a final regulation, effective in April 2017, requiring it and agencies take significant steps in identifying, prioritizing, and coordinating efforts to address critical human capital issues.[40] We believe this final regulation represents an important step toward addressing fragmentation within the federal human capital community. Going forward, it will be important for OPM, or another entity, if reorganized, to work with the CHCO Council and other stakeholders to address our open recommendations concerning specific human capital functions. Indeed, many of our open recommendations, including those that require priority attention from OPM, call on OPM to work in conjunction with the CHCO Council.[41]

The Capacity to Lead and Design Government-Wide Solutions to Shared Human Capital Challenges

Government-wide or "enterprise" solutions are important because they can integrate the efforts of multiple departments and agencies to address crosscutting human capital challenges more effectively by leveraging agencies' expertise, experience, technology, and other resources.[42] However, in our 2014 report, we found that while agencies have many common human capital challenges, they tend to address these issues independently without looking to enterprise-wide solutions that could resolve them more effectively.

[40]81 Fed. Reg. 89,357 (Dec. 12, 2016).

[41]GAO-19-322SP.

[42]GAO-14-168.

Across government, there are examples of agencies and OPM initiating enterprise solutions to address crosscutting issues, including the consolidation of federal payroll systems into shared-services centers. While these and other actions are important steps in the right direction, the CHCOs we spoke with in 2014 identified certain barriers to greater coordination to address common problems. For example, federal budgeting and account structures reinforce the prevailing tradition of controlling agency resources within a single agency. Moreover, agencies may be reluctant to contribute resources to a government-wide approach because they may not get an equitable return on their investment, or may get a product that does not fit their needs.

According to the CHCOs in 2014, two areas that are ripe for greater government-wide collaboration are human resource information technology (HR IT), and strategic workforce planning. Specifically, the CHCOs said agencies could be missing cost-savings opportunities by not coordinating HR IT investments within and across agencies. They noted that agencies are individually procuring identical systems rather than leveraging the purchasing power of multiple agencies to negotiate better prices or services, or use shared service centers. Similarly, several CHCOs we spoke with said agencies are not consistently leveraging lessons learned or collaborating to address difficulties they encounter with workforce planning models.

To further agencies' use of government-wide approaches, we recommended that the Director of OPM, in conjunction with the CHCO Council, should explore the feasibility of expanded use of enterprise solutions to more efficiently and effectively address shared or government-wide human capital challenges. Such actions could include: (1) seeking cost savings and improved functionality through coordinated government-wide human resources information technology planning and acquisition; (2) seeking agency input to ensure OPM's workforce planning tools provide effective guidance for agencies; and (3) sharing workforce planning lessons learned and successful models across the government.

OPM agreed with the recommendation and in September 2018, it reported that in spring 2019, data will be available to indicate whether surveys and tools to address government-wide human capital challenges are meeting their intended goals. In March 2019, OPM told us that it was conducting Human Capital Reviews with relevant agencies. However, to fully implement the recommendation, OPM, or another entity, if reorganized, needs to demonstrate continued progress in addressing government-wide human capital challenges.

The Capacity to Administer and Enforce Civil Service Laws and Regulations

Broad consistency across federal agencies is important for ensuring that all federal employees have the same safeguards, rights, and protections regardless of where they work.[43] These include, for example, merit principles; protection from prohibited human capital practices; the ability to organize, bargain collectively, and participate through labor organizations; and due process that is fair, fast, and final.

OPM is responsible for executing, administering, and enforcing the civil service rules and regulations, and the laws governing the civil service. Additionally, OPM is required to establish and maintain oversight over delegated human capital activities, including delegated competitive examining activities, to ensure agencies are acting in accordance with the merit system principles and the relevant standards established by OPM, such as compliance with applicable laws, rules, regulations, executive orders, and OPM policies. OPM monitors overall implementation and identifies corrective actions when deficiencies are found. OPM conducts this oversight through three primary means: delegated examining unit audits, human resource management evaluations, and special studies.

However, in our prior work, we have identified the need for more effective oversight in such areas as agencies' use of hiring authorities, agencies' classification programs, the conversion of political appointees to career positions, and the Senior Executive Service performance-based pay system.[44] With respect to agencies' use of hiring authorities, for example, to help strengthen the government's ability to compete in the labor market for top talent, and to improve the federal hiring process, we recommended in 2016 that the Director of OPM, in conjunction with the CHCO Council, should determine whether opportunities exist to refine,

[43]GAO-05-69SP.

[44]GAO, *Personnel Practices: Actions Needed to Improve Documentation of OPM Decisions on Conversion Requests*, GAO-17-674 (Washington, D.C.: Aug. 28, 2017); *Federal Hiring: OPM Needs to Improve Management and Oversight of Hiring Authorities*, GAO-16-521 (Washington, D.C.: Aug. 2, 2016); *Human Capital: OPM Needs to Improve the Design, Management, and Oversight of the Federal Classification System*, GAO-14-677 (Washington, D.C.: July 31, 2014); and *Results-Oriented Management: Opportunities Exist for Refining the Oversight and Implementation of the Senior Executive Performance-Based Pay System*, GAO-09-82 (Washington, D.C.: Nov. 21, 2008).

consolidate, eliminate, or expand agency-specific authorities to other agencies and implement changes where OPM is authorized.

OPM agreed with the recommendation and in December 2018, OPM said that it continues to research and examine streamlining opportunities, such as those identified in its July 2018 study on excepted service hiring authorities, as part of the broader initiative to modernize federal hiring practices under the President's Management Agenda. However, OPM did not provide a time frame for implementation. In its March 2019 Congressional Justification for the fiscal year 2020 budget request, OPM included legislative proposals for new hiring authorities such as highly qualified experts and temporary appointments to help agencies meet critical needs as well as a change to the criteria for granting direct hire authority.

While OPM has made some progress in this area, it will be important for the agency to follow through on its planned actions to streamline hiring authorities. To fully implement the recommendation, OPM or another entity, if reorganized, needs to complete these efforts and, as appropriate, develop legislative proposals in consultation with the CHCO Council.

Thank you, Chairman Connolly, Ranking Member Meadows, and Members of the Subcommittee. This concludes my testimony. I would be pleased to answer any questions.

GAO Contact and Staff Acknowledgments

If you or your staff has any questions concerning this testimony, please contact Triana McNeil at (202) 512-6806 (McNeilT@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. In addition to the contacts named above, Sarah Veale (Assistant Director), Peter Beck (Analyst-in-Charge), Colenn Berracasa, Robert Goldenkoff, Chelsa Gurkin, Shelby Kain, Steven Putansu, Janet Temko-Blinder, Peter Verchinski, and Alicia White made key contributions to the testimony. Other staff who made contributions to the reports cited in the testimony are identified in the source products.

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