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BACK TO THE BASICS: IS OPM MEETING ITS MISSION?

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND LABOR POLICY

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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BACK TO THE BASICS: IS OPM MEETING ITS MISSION?

TUESDAY, NOVEMBER 15, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND LABOR POLICY,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m. in room 2154, Rayburn House Office Building, Hon. Dennis A. Ross (chairman of the subcommittee), presiding.

Present: Representatives Ross, Amash, Mack, Walberg, Gowdy, Lynch, Connolly and Davis.

Staff present: Ali Ahmad, communications advisor; Will L. Boyington, staff assistant; Sharon Casey, senior assistant clerk; Adam P. Fromm; director of Member services and committee operations; Linda Good, chief clerk; Jennifer Hemingway, senior professional staff member; Mitchell S. Kominsky, counsel; Mark D. Marin, director of oversight; James Robertson, professional staff member; Laura L. Rush, deputy chief clerk; Peter Warren, legislative policy director; Jaron Bourke, minority director of administration; Kevin Corbin, minority deputy clerk; and William Miles, minority professional staff member.

Mr. ROSS. The Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy will come to order.

Today's hearing is entitled, "Back to the Basics: Is OPM Meeting Its Mission?" Before we begin, I would like to start off with reading the mission statement of the Oversight Committee.

It is the tradition of this subcommittee to begin with the Oversight and Government Reform Committee's Mission Statement.

We exist to secure two fundamental principles. First, Americans have a right to know that the money Washington takes from them is well spent. Second, Americans deserve an efficient, effective government that works for them.

Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers because taxpayers have a right to know what they get from their government.

We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy. This is the mission of the Oversight and Government Reform Committee.

I will begin with my opening statement. Since 1987, the U.S. Office of Personnel Management, OPM, has sought to modernize its

retirement planning system. Almost a quarter of a century later, the system averages $120 million per year in payments to deceased individuals while Federal retirees are subject to a paper-based process that often involves transfer of their files by truck up the Pennsylvania Turnpike for processing.

Despite a backlog of 60,000 claims, OPM examiners are expected to process only three and a half claims per day. At the end of the employment spectrum, the launch of USA Jobs 3.0 has left many job seekers frustrated, a sentiment at odds with OPM's promise of doing as well or better than the private sector company the Department took over several years ago.

Having spent 18 months and $6 million to develop, Director Berry recently acknowledged the duly launched online employment system went into a death spiral and admitted that OPM's IT Department underestimated both the system and the software challenges.

Since taking over the online employment site, OPM has increased its fee to Federal agencies using the site for employment postings. Technical problems continue to plague the Web site, in other words, taxpayers are now paying for a system that does not work, costs more and takes business away from the private sector.

This raises questions about OPM's decision to craft an in-house system, given its poor history of information systems development. Combined, these management challenges raise questions about OPM's priorities. With a Federal work force size of approximately 2.8 million people, the Office of Personnel Management is tasked with recruiting, retaining and honoring a world class work force for the American people. Unfortunately, OPM's track record as of late calls into question its ability to resolve its hiring and retirement claims in order to meet its core mission.

Today's hearing will examine OPM's efforts to modernize the Federal Government's hiring and retirEMENT claims system. Continued reliance on paper-based retirement system and technical problems plague the recent launch of USA Jobs 3.0 raise questions regarding OPM's ability to utilize the information and technology necessary to support individuals at the beginning and end of the job cycle.

I thank the witnesses for appearing hear today and look forward to your testimony.

[The prepared statement of Hon. Dennis A. Ross follows:]

Opening Statement of Chairman Dennis Ross

Since 1987, the U. S. Office of Personnel Management has sought to modernize its retirement claims system.

Almost a quarter of a century later, the system averages $120 million per year in payments to deceased individuals, while federal retirees are subject to a paper-based process that often involves transfer of their file by truck up the Pennsylvania turnpike for processing. Despite a backlog of 60,000 claims, OPM examiners are only expected to process 3.5 cases per day.

At the other end of the employment spectrum, the launch of USAJOBS 3.0 has left many jobseekers frustrated, a sentiment at odds with OPM's promise of doing it as well or better than the private sector company that the department took it over from.

Having spent 18 months and $6 million to develop, Director Berry recently acknowledged that the newly launched online employment system went into a "death spiral" and admitted that OPM's IT department "underestimated both the systems and software challenges."

Since taking over the online employment site, OPM has increased its fee to federal agencies using the site for employment postings. Technical problems continue to plague the website. In other words, taxpayers are now paying for a system that doesn't work, costs more and takes business away from the private sector. This raises questions about OPM's decision to craft an in-house system given its poor history of information systems development.

Combined, these management challenges raise questions about OPM's priorities. With a federal workforce size of approximately 2.8 million people, the Office of Personnel Management is tasked with recruiting, retaining, and honoring a world-class workforce for the American people.

Unfortunately, OPM's track record calls into question its ability to resolve its hiring and retirement claims systems in order meet its core mission.

Today's hearing will examine OPM's efforts to modernize the federal government's hiring and retirement claims systems. Continued reliance on a paper-based retirement system and technical problems plaguing the recent launch of USAJOBS 3.0 raise questions regarding OPM's ability to utilize the information technology necessary to support individuals at the beginning and end of the job cycle.

I thank the witnesses for appearing here today and look forward to your testimony.

Mr. ROSS. I now recognize the distinguished Member from Massachusetts and the ranking member, Mr. Lynch, for his opening statement.

Mr. LYNCH. Thank you, Mr. Chairman. It is good to be with you.

First of all, I would like to welcome Director Berry and Mr. Perry and thank them for their willingness to come before this subcommittee to help us with our work.

Today's hearing is entitled Back to the Basics: Is OPM Meeting Its Mission? It will examine efforts by the Office of Personnel Management to address challenges in its information technology networks. Notably, this hearing stems from continuing reports of design and operational setbacks faced by OPM in the implementation and administration of USA Jobs 3.0 and also problems in the retirement system.

USA Jobs 3.0 is the latest iteration of the Federal Government's official job search Web site. We should remember why the performance of this project was in-sourced in the first place. Government workers could do the job for less than the private sector had been doing and the private sector contractor was unable to prevent serious breaches in data security. As well, there were concerns about the proprietary technology that was being used and its ability to be flexible meeting future needs.

Regrettably, the launch of USA Jobs 3.0 has not occurred without incident, as the has chairman noted. Within its first week of ongoing live coverage, the USA Jobs Web site was slowed down by technical problems including log-in difficulties, extended load times and faulty searches. Throughout the past month, USA Jobs has received an estimated 40,000 help desk complaints. USA Jobs 3.0 only went live last month and the OPM Inspector General has yet to even begin auditing the roll out of USA Jobs 3.0.

Were these problems simply the initial shortcomings or part of a longer term, systemic problem? I think it is probably too early to determine but the early indications are not good. One thing is already clear, however. To the credit of Director Berry, OPM has implemented a series of improvements designed to address these and other user concerns.

In addition to enhancing bandwidth capacity in order to accommodate nearly 700,000 visitors per day, OPM has installed additional customer service personnel and resources as well as increased its efforts to educate users on the transition to the revamped USA Jobs Web site.

Moreover, in consultation with the Office of the Federal Chief Information Officer and private sector computer technology firms, OPM has also brought in a team of specialists with the goal of addressing both short term and long term issues with USA Jobs.

Today's hearing will also examine OPM's capabilities in the area of Federal retirement claims. This is an area of particular concern because we have an expected 100,000 retirees. We also have in the works the possible early retirement of maybe as many as 120,000 postal employees, so it is a perfect storm. We need to make sure that we have a system that can accommodate that volume.

Unlike the USA Jobs 3.0 rollout, the issue of the retirement logjam goes all the way back to the mid-1980's. Computerization of older Federal employee records and automation of retirement

claims are worthy goals if they also help to address concerns over levels of interim pay, improper payments to deceased annuitants, as the chairman has pointed out, and the inordinate amount of time some Federal workers have had to wait to receive what is owed to them after years of dedicated service.

OPM has already spent hundreds of millions of dollars on private sector contractors, but those efforts have failed to deliver. I sincerely hope that what we learn here today is not a precursor of challenges that lay ahead as Federal agencies are forced to do more with a lot less.

Mr. Chairman, I thank you for holding this very important hearing. I certainly hope we can finally get to the bottom of some of these problems given the impressive list of witnesses appearing before us today.

I yield back.

Mr. ROSS. Thank you, Mr. Lynch.

Members may have 7 days to submit opening statements and extraneous material for the record.

We will now welcome our first panel of witnesses. We have with us the Honorable John Berry, Director, Office of Personnel Management. He is accompanied today by Mr. Matthew Perry, OPM's Chief Information Officer.

Pursuant to committee rules, if you would all stand and be sworn. Raise your right hands.

[Witnesses sworn.]

Mr. ROSS. Let the record reflect that all the witnesses answered in the affirmative.

I will now recognize the Honorable Mr. Berry for his opening statement and request that you limit your testimony to 5 minutes. As your entire written statement of course is in the record.

Mr. Berry.

STATEMENT OF JOHN BERRY, DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT, ACCOMPANIED BY MATTHEW PERRY, CHIEF INFORMATION OFFICER, OFFICE OF PERSONNEL MANAGEMENT

Mr. BERRY. Chairman Ross, Ranking Member Lynch, thank you very much for the honor of appearing before you today to discuss how OPM is accomplishing its core functions.

I am proud of the role that we have played in the historic eight Presidential actions on human resources. The percentage hiring of our veterans and disabled veterans is the highest it has ever been. Our hiring reforms have both shortened the time to hire and made it easier for applicants, the resume being the basis now.

Our Merit System, Audit and Compliance Division annually conducts over 220 audits just this year alone that safeguard our merit system principles and hold agencies accountable for effective HR practices. We now process 90 percent of security clearance investigations, over 2 million a year, in 40 days or fewer, having eliminated all backlogs and taken this issue off the Government Accountability Office high risk list this year.

Finally, we continue to strengthen both our CIO and our Retirement Divisions and before the end of this month, a new detailee will be joining OPM to assist Matt as our new Chief Technology Of-

ficer. They will enhance and centralize our IT operations with Matt at OPM and provide new leadership for USA Jobs 3.0 going forward.

In January 2010, the Chief Human Capital Officer's Council unanimously recommended, after months of study, to design a hybrid USA Jobs system, not an in-house system, a hybrid system where the government will protect applicant data and own the code for a central portal that has an open architecture to it to allow for greater private sector competition to foster enhancements. This marries what believe is an essential core governmental function with the strength of our private sector.

During our transition from USA Jobs 2.0 to 3.0, we successfully transferred 22 million resumes and documents and over 6,000 open job announcements, but we also made mistakes. We underestimated demand, we lacked agility and we did not resolve applicant issues as quickly as we should have. Immediately visitors flocked to the site, peaking at almost 45 million page searches in 1 day. This exceeded our highest estimates and at times, 100 percent of our bandwidth.

In response, we have added 10 virtual servers, fine tuned load distribution and added content delivery support from a trusted private sector vendor. With the site now operating at about 10 percent of capacity, this issue has been resolved.

Second, passwords had to be reset for all of the users. This was our largest issue among the over 54,000 help desk request tickets. To address this, we redeployed help desk resources from other OPM program areas.

Third, our location-based search tables, though extensive, need tweaking. By expanding these tables, we have largely resolved this issue and continue to refine the tables based on user feedback and proactive analysis, again in partnership with Microsoft, the company provider for our server.

Our team, with advisors from the private sector and across government, continues to work around the clock to resolve issues and refine our search tools. All USA Job metrics continue to make steady forward progress. Since the launch, nearly 17.5 million users have visited the site, submitted over 1.2 million applications and created or edited nearly 700,000 resumes.

Our help desk tickets, from a peak of 4,000 a day, yesterday were below 400 which we would consider an average load for a system of this size. Our Facebook posts, in their first week, as you can imagine, were significant in volume, yesterday, were down to 11 posts total.

On retirement, $100 million and four failed attempts over 20 years have all met with failure. The most recent ended just before I took office, not only without solutions but sadly, also with reductions in retirement staff that was presumptuously made before the system was launched and then ultimately terminated.

Using lessons learned from the canceled retirement system's modernization, we have created a proof of concept that would allow retirees and HR professionals to submit their data electronically. We have had to make do with fewer staff and reduced budgets. Despite that, I am prioritizing this issue and within our resources and moving and shifting resources around last year to hire 35 new legal

administrative specialists, we will be hiring additional this year to be ready hopefully for this onslaught that Mr. Lynch has mentioned.

We are also taking steps to use our existing staff more efficiently. For example, we have assigned all FERS non-disability retirement claims to our staff in Boyers, Pennsylvania and focusing our D.C. team on the backlog and disability claims. Today, a Navy Lean six sigma team is specializing in process improvements and is at work in Boyers with our team. We are working with other agencies to reinsure the completeness of records that we receive so we can move faster in processing claims.

To mitigate existing delays, we have enhanced our interim pay process. Retirees now over 90 percent are approved to receive interim payments within a week of their application. It is my goal that the steps we are taking will address our backlog within 18 months and fulfill our commitment to Federal retirees with more timely processing.

Members of the committee, thank you for having me here today and I am happy to answer any questions.

[The prepared statement of Mr. Berry follows:]

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

STATEMENT OF

JOHN BERRY

DIRECTOR

U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND LABOR POLICY

U.S. HOUSE OF REPRESENTATIVES

on

"Back to the Basics: Is OPM Meeting its Mission?"

Chairman Ross, Ranking Member Lynch and members of the Subcommittee:

I am pleased to have the opportunity to appear before you this afternoon to discuss the role of the Office of Personnel Management's (OPM) information technology (IT) systems. As you know, IT plays a significant role in allowing us to carry out our mission. Our IT undertakings include a proven suite of systems that supports OPM in our conducting of background investigations, storing information on the Federal workforce, and analyzing health insurance claims data.

OPM conducts 90 percent of the background investigations on behalf of over 100 Agencies and the Department of Defense, processing over 2 million cases annually. Through effective use of information technology, we have exceeded the timeliness goals of the Intelligence Reform and Terrorism Prevention Act, processing 90 percent of security clearance investigations on average in 40 days or fewer. Our IT successes in this area contributed to the Government Accountability Office removing the issue from its annual "High Risk List" earlier this year – not an easy task, as you know.

Enterprise Human Resources Integration (EHRI) is another important IT project that serves as the primary source for information on the Federal workforce. With a focus on mostly Executive Branch employees, the system has been selected for the Excellence.gov award for Business Processes. OPM also established the Health Claims Data Warehouse last year, which collects, stores, and analyzes health insurance claims data for enrollees covered under the FEHBP. We recognize the highly sensitive nature of this information and have taken steps to assure that the personal information of enrollees is secure and protected. The goal of the data warehouse is to

understand the drivers of costs in the program and to find ways to reduce those costs through targeted efforts in the program.

In addition to these three major IT systems, OPM now hosts the USAJOBS website, which helps facilitate the hiring of Federal employees and meet our statutory mandates under title 5. We are also making modest but important IT changes to assist in the processing of our retirement claims and adjustments for payments to Federal annuitants.

USAJOBS 3.0

In a little more than the first three weeks of the launch of USAJOBS 3.0:

- Over 12 million visitors, including over 2 million users, have visited the USAJOBS 3.0 site,
- At its peak, USAJOBS 3.0 has hosted nearly 13,000 job postings in a single day,
- Nearly 800,000 applications have been submitted and nearly 500,000 resumes have been created or edited,
- Over 800,000 new accounts have been updated or created,
- And overall satisfaction with the website, as measured by independent surveys of users, has shown progress since the first day of launching USAJOBS 3.0.

The recommendation to host and maintain USAJOBS within OPM was made almost two years ago by the Chief Human Capital Officers Council (CHCOC). This recommendation was based in part on a desire to have the Government own all associated rights to the system's data and program code. The CHCOC and I believed that this would provide the necessary flexibility to respond to an ever-changing Human Resources environment. Developing a hybrid system also provides the ability to analyze, track and report government-wide employment data on a more robust schedule with flexibility of content. Of equal or greater importance was the need to enhance the protection of the sensitive information provided by job applicants, limiting access for authorized use only. Additionally, there was a strong desire to build a system that could improve and streamline the job applicant's experience. USAJOBS 3.0 includes options for expanded applicant profiles, improved resume builder features, enhanced geographic search capabilities, greater market specific job and event announcements, and a streamlined application process for one job in multiple locations. Moreover, USAJOBS 3.0 allows us the opportunity to build more enhancements over time from a common open architecture system.

USAJOBS 3.0 is the culmination of a 14-month design process. USAJOBS 3.0 was built using common HR-XML data standards, multiple layers of security, and a transparent integration framework. These standards support broad competition and innovation by talent acquisition

systems, supporting the Federal government hiring process. Prior to launch, Agency partners and talent acquisition systems reported USAJOBS 3.0 was ready to go live.

The transition from USAJOBS 2.0 to USAJOBS 3.0 occurred October 7-11, 2011. Over 5 billion rows of data associated with the applicants' resumes, profiles and other pertinent documents successfully transferred to Government ownership for secure use and storage. Prior to launch, 17 million legacy accounts, 22 million resumes and documents, and over 6,000 open job announcements transferred into the new system. With 700,000 visitors per day, submitting over 520,000 applications during the first three weeks of operations, USAJOBS is by far OPM's highest trafficked website with worldwide visibility.

During the first few days after USAJOBS 3.0 went online, 300,000 to 400,000 visitors accessed our web site per day, and the page view of data peaked at almost 45,000,000 pages during a single day. This caused the system to operate at 100 percent of available bandwidth capacity at various times throughout the day, denying access to many site visitors.

We quickly responded by adding 10 additional virtual servers, fine tuning load distribution and adding content delivery support by a trusted vendor. As a result of these efforts, bandwidth consumption is now peaking at approximately 10 percent of capacity throughout the day. Our capacity issues have been addressed, and while during the first week, capacity presented a significant challenge, I am confident this issue has been resolved.

The second significant challenge for users was the reestablishment of their security profiles and passwords. While basic profile information transferred from USAJOBS 2.0 to 3.0, user passwords did not. The passwords were not transferred over for the security protection of users. It was necessary for users to reset their passwords, and many struggled to recall the answers to security questions that they may have created years prior to the conversion. During the first three weeks, over 11,000 Help Desk tickets were submitted to get assistance in accessing legacy accounts. Additional experienced Help Desk resources were quickly deployed from other OPM program areas to assist with Help Desk responses. In hindsight, we did not anticipate the volume of legacy account holders who would forget their password security question prompts, and we should have done more to educate legacy account holders in advance of the oncoming password change prior to the launch.

OPM's Help Desk received over 40,000 tickets in the first three weeks following the launch of USAJOBS 3.0. While a number of individuals contacted OPM's Help Desk for assistance with their password reset, other popular reasons for the creation of Help Desk tickets included assistance with searching for a particular job; questions about the status of a job application; questions about how to edit a resume; and general suggestions.

As users become familiar with the search features of USAJOBS 3.0, concerns have been raised about the accuracy of the search function. One of the search options includes the ability to search within a geographic proximity or radius of a specified location. In establishing extensive tables of geographic coordinates for duty station locations, large government installations that were

also physical addresses had not been fully identified. The tables were expanded to ensure that the search returned the appropriate results. Additional adjustments to the search engines are being made based on user experience and feedback. While we have been proactively identifying geographic areas that may have been missed in the initial launch of USAJOBS 3.0, we are also actively listening to users of USAJOBS 3.0 and adding their suggestions and ideas for improving the USAJOBS 3.0 search function.

Meanwhile, every day we continue to address individual user concerns over functionality and are using user feedback to enhance the system design. We have provided prompt responses to Help Desk tickets and Facebook and Twitter posts. Within OPM, there is a Social Media Active Response Team, which engages with job seekers via Facebook and Twitter throughout the day and continues to assist seekers by email and phone. We have reached out to job seekers who have contacted OPM with concerns through multiple means and will continue to do so. Additionally, in order to assist job seekers, we are posting video tutorials on our Facebook page. We have also included tutorials on USAJOBS 3.0's "Resource Center" page, in order to provide guidance and assistance to both legacy account users and new users of USAJOBS 3.0.

To address the challenges since the launch, I hand-picked a great team from across OPM that has been working around the clock to ensure that USAJOBS 3.0 can live up to the full promise that users of the site, the taxpayers, the Administration and Congress expect. To assist my team, the government's Chief Information Officer, Steve VanRoekel, assembled an IT SWAT team from across the Federal government. The SWAT team conducted a preliminary analysis of the situation with USAJOBS 3.0, evaluated the operational landscape, and prepared a short and long term roadmap to resolving any issues with the system. OMB has been our partner and advisor on USAJOBS 3.0 along the way, and I am fully committed to working with this SWAT team and look forward to reviewing and implementing its recommendations. I feel confident that they have helped turn the corner by addressing these challenges and we will be able to move forward in the strongest possible fashion.

IT and Federal Annuitants

On the issue of Federal annuitants, I am deeply troubled by the timeliness of processing retirement claims. The retirement applicants who experience delays are dedicated Federal employees who have devoted their careers to serving the citizens of this country. They deserve solid, respectful treatment that is commensurate with their service. Nothing less is acceptable to me.

My paramount goal is to improve the overall claims adjudication process. There is no simple or easy solution that is capable of instantly remedying the problem, but we are doing everything in our power to improve service to our annuitants as rapidly as possible within the constraint of available resources. We have begun several initiatives to speed up the review of retirement claims and to streamline other retirement procedures.

Statement of Honorable John Berry
Director
U.S. Office of Personnel Management

November 15, 2011

In keeping with our budget request for fiscal year 2011, I shifted resources to allow for the hiring of additional legal administrative specialists (LASs) to process pending claims. Our retirement group recently completed training 35 newly hired LASs to assist with the current backlog and future workload. Recognizing the need for more talent in processing retirement claims, I have shifted around more resources to ensure that we can hire an additional 40 LASs as soon as possible. While these new LASs are improving our ability to process cases, it will be at least six months before these newer employees are adding to our capacity to process pending claims. It should be noted that the increased staffing levels are needed to replace staff that were eliminated in anticipation of the implementation of the automated Retirement Systems Modernization (RSM) that failed in 2008 and staff that retired in 2009.

Additionally, we are analyzing the current workflow and aligning similar workloads to maximize efficiencies. For instance, until recently 80 percent of all pending non-disability Federal Employee Retirement System (FERS) claims were processed in our Boyers, Pennsylvania office where they are received from the agencies. The remaining 20 percent had been sent via courier from Boyers to be processed by our Washington, DC, office. We are now keeping 100 percent of new non-disability FERS claims in Boyers and deploying the Washington, DC, staff who had been working on those claims to disability claims, where our case backlog has grown due to fewer staff processing those type of claims. A team from the Navy, which specializes in process improvement, will begin working with our team this month to identify changes that can be made to current work processes.

We are currently working with agencies to improve timeliness and quality of personnel payroll information submissions. Currently, processing times are averaging 133 days for non-disability cases. Indeed, OPM's Strategic Plan speaks to the shared responsibility for retirement processing among employees, agencies and OPM, so resolving these issues is at the very center of our efforts. Incomplete or inaccurate information from agencies can significantly delay processing and ultimately, a retiree's check. Unfortunately, 18 percent of all claims received are missing one or more records and 11 percent are not received during the first 30 days.

In recognition of the delays in retirement processing, we have greatly enhanced our interim pay process to provide new retirees with income while their retirement benefits are adjudicated. Working with Agencies, we place at least 90 percent of all new retirees on interim pay within 5-7 days after receipt of their information. Approximately half are placed automatically on interim pay based upon Agency data submissions. The remaining cases are reviewed and placed on interim pay manually. In Fiscal Year 2011, new annuitants received about 80 percent of their final annuity while on interim pay. There are a number of factors that cause an annuitant to receive lower interim pay, such as those who have a court order dividing their benefit.

We are confident that by working with our current management team and our workforce to reassign existing staff, build production incentives, add and train additional staff, and collaborate with agencies to improve the records they provide to us, we will address our back-log within 18 months and fulfill our commitment to Federal retirees. Nothing is more important to me than fulfilling this obligation.

Statement of Honorable John Berry
Director
U.S. Office of Personnel Management

November 15, 2011

We learned a great deal from the unfortunate RSM efforts. In that regard, I would like to describe some of our current efforts. Last February, I terminated the RSM program management office at OPM and consolidated the outstanding IT work to the EHRI office. At that time EHRI was supporting several key IT initiatives in support of Retirement Services including changes to the retirement service credit system, improvements to the retirement calculator, and improving automation of retirement data submissions.

OPM also created a proof of concept of an online retirement application to demonstrate how an electronic, web-based application could be used to collect data from an applicant and his or her agency human resource office that is required when an employee retires. This information could be used to reduce dependence on the current paper process.

There has been substantial publicity regarding the report of our Inspector General's office dealing with payments made after annuitants are deceased. The Inspector General's report reflects overpayments that are equal to less than one-fifth of one percent of annuity payments. I want to make it perfectly clear that we regard any overpayments as unacceptable, but, as noted by the Inspector General, this improper payment rate is extraordinarily low.

Moreover, these improper payments do not result from negligence or misfeasance by OPM. Instead, they represent cases of fraud in which individuals have intentionally covered up the death of an annuitant, an action that is very difficult to detect. For these overpayments to occur, the malefactor must first either have been on a joint bank account with the decedent or have continuing access to mail addressed to the decedent. They must then ensure that the death remains unreported in the records that are accessible to OPM, and must regularly take other actions (such as filing tax returns in the decedent's name) to prevent discovery.

OPM is fully committed to eliminating improper payments to deceased annuitants, and I have been working closely with the Inspector General to achieve this. Our team at OPM has worked hard with the Inspector General on this issue over the past few years, as recognized by the Inspector General in his report. As the Inspector General's report notes, we have already implemented 10 of their 14 recommendations. In addition, I have named four senior members of my staff who will work directly with me to resolve the final four.

OPM resolved $487 million of the $600 million reported by the Inspector General. As of September 30, 2010, $113 million is still undergoing collection efforts by OPM. The collection process is an ongoing effort, and our experience has shown that we ultimately collect 90 percent of the amounts resolved with the remaining 10 percent either determined to be uncollectible or adjusted because it was later determined that the payment was not improper. Therefore, OPM estimates it has collected over $438 million of the $487 million resolved over the past 5 years. OPM will continue collection efforts on the $113 million until it is completely resolved.

Statement of Honorable John Berry
Director
U.S. Office of Personnel Management

November 15, 2011

Though we have implemented many positive reforms, I remain deeply committed to keeping this a top priority and to working with our Inspector General to ensure the proper internal controls are in place to protect the taxpayers and our employees and retirees.

Conclusion

Members of the Subcommittee, thank you for having me here today to explain the role of IT at OPM. I would be glad to address any questions you may have.

Mr. ROSS. Thank you, Director Berry.

I will recognize myself for the first round of questions.

I am reminded of an economics professor I had in college who said self-sufficiency breeds inefficiency. I think when we start doing certain functions in-house, there are not the resources and we become somewhat inefficient. Just because the Federal Government has a motor pool doesn't mean they have to manufacture the automobiles.

To that end, I would ask Director Berry why did you decide to bring USA Jobs in-house?

Mr. BERRY. This was an issue under great study. We had a contractor with a private carrier, a 5-year contract that was going to expire. Knowing that was coming, this contract was paid for by fees that are paid by each agency across the Federal Government into a revolving fund that we manage on their behalf.

Mr. ROSS. That private contractor was Monster?

Mr. BERRY. Yes, sir. They managed the USA Jobs 2.0 site for the past 5 years. We created a working group of the Chief Human Capital Officers Council because that is the group that has to pay for whatever decision was going to be made, to study in-depth this issue. That working group came back with the recommendation to create a hybrid solution, again not an in-house solution.

Mr. ROSS. That recommendation was made as a result of the fact that the private sector contractor was not doing it efficiently or effectively or was there a conclusion they could do it better?

Mr. BERRY. No, sir. Let me give you the four reasons they made, that the working group provided.

The first was they thought for the central warehousing system, it was important that we would be able to own the code and the data. What happens over a 5-year contract, which is natural, is you get good data in the first 2 years, but any tweak you want to make throughout, you have to pay to increase or to change. In this vibrant time, we wanted to make upgrades faster and quicker, so owning the code was one of the first decisions the work group decided was important for that central warehouse function.

Mr. ROSS. Don't you think that should have been negotiated in a contract renewal?

Mr. BERRY. It would, but the contract renewal being 5 years, and anything during the interim would have to be supplements to the contract which would cost the taxpayer more. By owning the code, as we have proven over the past 3 weeks, we have been able on a weekly basis to update the code without having to incur cost working with our partner, a private sector partner. Microsoft is the provider of our server currently, so we are working with the private sector.

The other three things just very quickly of what the working group decided they wanted to protect the sensitive information of applicants. They had contracted a study with a third party private sector company, Booz Allen Hamilton, that did a vulnerability assessment of the Monster product. They determined there were two security concerns. One that resumes were commingled with both public sector and private sector resumes commingled, and two, there was a medium level risk of alternate data centers being colocated in the same geographical area.

Mr. ROSS. Those were anticipated risks? They actually happened?

Mr. BERRY. Yes. The security breaches that happened at Monster are a matter of public record. I want to make clear, none of the issues that we faced in our first week were the results of Monster, they were our in-house problems. The working group was considering the 2009 and 2007 security breaches that occurred when Monster was the provider for 2.0. Security was one of the issues the working group considered.

The other two just very quickly was they wanted to enhance search capability and then fourth have an open architecture, have the government protect the resumes but build it in a way that any private sector provider could come in and plug into it to use their product, keeping in mind the resume sort of warehouse is only $6 million. The private sector providers that compete around that, is well over $100 million of business, so where the action is on those private sector enhancements that plug in to it.

Those were the four reasons the working group considered in bringing in this hybrid solution that was part in-house, part open architecture to allow for greater competition.

Mr. ROSS. When you talk about your partnership or working with Microsoft, you didn't partner their assistance in development of USA Jobs, did you, it was actually post launch when you started to bring them in?

Mr. BERRY. No, their product is the main server. We acquired that.

Mr. ROSS. There was not any working relationship in advance of the launch of USA Jobs with Microsoft, was there?

Mr. BERRY. Yes, but they added additional staff to us when we ran into the problems. In other words, they stood behind their product. It is a good, solid product.

Mr. ROSS. You indicated to the Washington Post that if you knew now what you knew then, you would do things differently. What would you do differently?

Mr. BERRY. I think the key thing we did was we focused a lot of our testing efforts on the private sector back end users and the agencies. We did not focus enough on the applicant user experience. If I had that to do over, I clearly would have spent more time on applicant testing.

Mr. ROSS. Do you have a market research department or somebody that will go out and consult with the end user as to what they anticipate and expect from the service?

Mr. BERRY. No, sir, but what we do do is survey our users on a regular basis as well as using all of the traditional tools that the Internet now allows.

Mr. ROSS. Do you have a research and development department that you invest to make sure you are staying on the cutting edge of technology?

Mr. BERRY. No, sir. We partner with the private sector to accomplish that cutting edge.

Mr. ROSS. Did you partner in the development of USA Jobs 3.0?

Mr. BERRY. Absolutely.

Mr. ROSS. As a result, it crashed?

Mr. BERRY. Like I say, the first week is not something I was happy about but what I am here to say is we have recovered from that. As many people know, whether private sector or public, launching complicated, large systems like this sometimes have bumpy starts. We had a very bumpy start. I apologize for that and I believe we have put the right team in place and we have made the right judgment calls since then to recover from it.

Mr. ROSS. How much do you charge agencies to use USA Jobs?

Mr. BERRY. The cost for the entire product line, for providing the central warehouse, the budget is $12 million a year. That is what agencies were paying in 2008 when Monster was providing the service; it is what agencies are paying now. There has been no increase.

Mr. ROSS. There has not been any increase?

Mr. BERRY. What we did in 2 years while the working group was working to decide what to do, we rebated funds. When you have a revolving fund, you accumulate some to handle a new project. We were accumulating funds but we had too much so we rebated them to the agencies. We went from $12 million to $10 million for 2 years, 2008 was $12 million, 2010 was $10 million and we are back to $12 million now in 2011 and it will stay at $12 million. There is no increase other than we provided the agencies that rebate while we were not designing the new system.

Mr. ROSS. My time is up. We will probably do another round.

I will now recognize the ranking member, the distinguished gentleman from Massachusetts, Mr. Lynch, for 5 minutes.

Mr. LYNCH. Thank you, Mr. Chairman.

Director Berry, it is good to see you again. I wish it was under different circumstances. I wish we were talking about something going right but that is the nature of this.

I was here in 2007 and I do remember back then when Monster was running this program. As I remember it, we had 146,000 Federal employees who had their information stolen when Monster ran the program. They had their personal identity information accessed, there was a cyber attack on the site, so that was one of the reasons we initially supported the idea of coming in-house to make sure we could protect the identities and information we have on our employees.

The folks that are complaining about you after the first month, this site went live a month ago and it is a huge site, like you say, 700,000 people accessing it every single day, it is a big operation so I have a little more patience than I guess some of my colleagues, I guess, but not much more.

I do want to ask you a couple of things. About resources over at OPM, I know you have some good people over there and you are working hard but I know you picked up additional responsibilities under the Affordable Care Act, so I see all this work being put on that agency. I don't see any more resources. If I recall correctly, under the Affordable Care Act, you are responsible for setting up all these exchanges that all these folks in America are going to go online and try to access the State health insurance options. You are responsible for doing all that without much more resources than you have now.

You have a backlog of 60,000 on retirements, folks that worked their whole lives for the government and want to retire now. You have 60,000 of those folks waiting to retire. We can't process them fast enough. We don't have enough people to process that information. We are looking at early enhanced or expedited retirements at the Postal Service that could amount to 120,000. We have NASA retirements and are cutting that down. We have the Government Accountability Office, retirements there; we have the Defense Department including the Air Force and Army, major major retirement programs going on there.

I see this whole tidal wave of work heading toward you. I am just concerned that you don't have the resources to deal with this. It troubles me greatly. What I see I see a lot more of these hearings. I think we will spend a lot more time on these hearings as the volume of work overwhelms you.

I am not faulting you. I am not saying you are not working fast enough or hard enough. I just think the volume of work is overwhelming. You say you are going to hire 35 new folks to process retirement claims. I just did the math on that and that is an additional 40,000 to 50,000 a year but you have probably five times that much that is brand new on top of the work you are doing already.

How are we going to do this? What do you need for resources over there to meet the challenges that are coming toward you? I say this as a friend and as someone who wants you to succeed, not only on behalf of the folks on the job Web site but also hard working retirees who worked their whole lives and now are being given interim retirement because we can't process their applications to retire. These folks want to retire, they have retired and are waiting out there month after month and their applications for retirement have not been approved. It is a terrible situation and we have to get our arms around this.

I know you have a paper process for a lot of these employees, but my goodness, we spent $100 million over the last 20 years and still have this same broken system. We have to have a sustainable system, the right technology, the right information, the right people to get this thing done. This is just a nightmare. What do you need over there to get this thing done?

Mr. BERRY. As you know, I have to defend the President's budget and our resources, like many across government, are on the decline. We are trying to do more with less. We are trying to increase our efficiency to do so.

I am proud of our team in many areas. When you look at for example the preexisting condition health plan, the exchange that needed to be stood up, we are providing options for people with preexisting conditions in 23 States and the District of Columbia and doing it at 0.08 percent overhead. We did that and stood that up in 60 days and launched it. It has been well received by those States and the people in those States.

We have solid people, we have solid teams, but there is no question that as you mentioned we are facing a potential increase, a significant increase in our retirements. We are noticing them actually starting this month. Normally, the wave increase does not start until January. It has started for us this year in October. As

agencies are looking and increasing their buyouts and other options to tighten their belts, it is increasing our retirement pressure.

One option I could propose that the Senate is considering in one of the bills under consideration there is as agencies do buyouts, they would also make a payment to us to help us cover the cost of processing that retirement and hiring temporary staff so we could handle some of this backlog bulge, the balloon, if you will, that we are facing. That would be one assistance from the Congress that would be greatly appreciated.

Efficiency improvements also are important such as the Navy Lean Six Sigma team that is working with our people today. I cannot testify to the details of why we wasted so much money over the past 20 years or the details of what happened there because it was before my watch but I can tell you, I think the process could be more streamlined and we could do a more efficient job. That is why by working with this Navy team, we are trying to make the process as straightforward and simple as we can.

My hope is if we can get it simple, then you can automate pieces of it. The last attempt failed because they tried to automate everything and some retirements are extraordinarily complicated, as you can imagine. When you are disabled, you have different reserve service and different theaters of war with different retirement calculations for different days they were in service in different regions of the world, etc.

There would be a standard retiree, someone who spent their career at one agency, didn't have all those complicating factors. Let us identify those and automate that piece and then move forward. We need to automate this in bite-sized chunks that we can deliver successes to you, the Congress and the taxpayer.

Mr. LYNCH. Thank you, Mr. Chairman.

Mr. ROSS. I now recognize the gentleman from Florida, Mr. Mack, for 5 minutes.

Mr. MACK. Thank you very much, Mr. Chairman. Thank you for holding this hearing. I think it is an important topic.

Before I go on with my questions, I just want to relieve you of some of the pressure you think you are going to feel down the road. You won't have to deal with the Affordable Care Act. It is unconstitutional. Either the courts will find it unconstitutional or in the next Congress, we will repeal it and the next President will sign that repeal. You can rest assured that you won't have to deal with that piece of the puzzle.

It was interesting listening to the conversation today. One of the things that keeps striking me is why in the world would you put in place something that would take what the private sector can do—more affordable, more agility? You think you are under pressure, how about the free market pressure? If these companies don't perform, they go out of business. If you don't perform, you come to Washington, you ask for more money and you try to make changes. The pressures in the private world are much greater than any pressure you might be feeling within the agency.

Why would the Federal Government develop products and offer services that the private sector can do more efficiently and effectively with greater expertise and at a lower cost to the American taxpayer? I have seen this in State government, I have seen this

here in Washington. It is almost like there is this mentality that you can do it better when we know that private companies can do it much better.

Mr. BERRY. First, let me be clear, this is not an attempt to create a government solution. This is what the CHCO Council recommended and what we have moved forward on. This is a hybrid solution.

Mr. MACK. I hear you say hybrid, so just because you buy Microsoft servers doesn't make it a hybrid system. I am sorry. I know you want to paint this as a hybrid system, but this is something you have taken in-house and you are developing in-house when there are private companies who can do this more efficiently, more effectively, more secure than what you are offering.

The Federal Government has a hard time keeping secrets. Don't take my word for it, just look at WikiLeaks. The idea that somehow we can feel secure that you all have created a system that is going to be secure.

Mr. BERRY. Sir, we do have a system that is very secure, a Level IV security that provides all of the background investigations including all of those for the Department of Defense that we manage at our Boyers facility in Pennsylvania. It is one of the most secure IT Web sites run in partnership—again, it is another hybrid model.

Mr. MACK. I don't think the people feel that secure knowing that you are holding all their information.

To get back to this private sector issue, why would you think you can do it better when the forces in the private sector are much stronger?

Mr. BERRY. The core decision was, as in any discussion when the government undertakes these systems, to define what are core government responsibilities and what are core private sector responsibilities. In this case, protecting the personal information, the resumes, of applicants for Federal jobs was a core governmental responsibility.

Mr. MACK. The private sector cannot do that?

Mr. BERRY. The issues that the private sector encountered over the past 5 years are a matter of public record. You can see that they were compromised. It is not a guarantee the security is going to be protected.

Mr. MACK. The Federal Government hasn't been compromised in its ability to keep secrets?

Mr. BERRY. Cyber security is an issue we both wrestle with.

Mr. MACK. What I have heard is you are going to need more money to keep up with it. Your track record so far on this is not very good. Let me ask you this. Do you directly require or otherwise force Federal agencies to use the tools and products that OPM develops?

Mr. BERRY. No, sir.

Mr. MACK. Are agencies penalized on their performance if they do not use the tools and products?

Mr. BERRY. No, sir.

Mr. MACK. What steps are you taking to ensure agencies don't feel compelled to use your products?

Mr. BERRY. Any products we are providing are done through a competition and agencies are not forced. The reason why I said this

was taken to the Chief Human Capital Officers Council was it had to be adopted by the Council. The Council has to agree to make the payments of the system. I do not have taxing authority on these agencies. They are either voluntarily choosing us through a competitive process or in this case, making a decision on creating this approach, which we undertook, and making the assessments necessary to fund the product. There has been no increase. We were at $12 million in 2008; we are at $12 million now; and it will be $12 million next year. There is no increase in terms of cost to this system.

Mr. MACK. Mr. Chairman, my time has expired, but I applaud you for taking on this issue because I hear what the gentleman is saying but I question whether or not this idea that government can do it better than the private sector is a valid one.

Mr. ROSS. Thank you. The gentleman yields back.

I will now recognize the gentleman from Illinois, Mr. Davis, for 5 minutes.

Mr. DAVIS. Thank you very much, Mr. Chairman, and let me thank both the witnesses for being here.

Mr. Director, in both you and Mr. McFarland's written testimony, suggested that most of the improper payments to deceased annuitants are usually recovered. Mr. McFarland noted that most of these payments are the result of a retiree passing away just before the payment is made for that month or because there is a delay by the person's family in reporting the death. You also talk about fraud deliberately perpetrated by decedent's family members.

My questions are can OPM control or prevent these things from happening and does this mean that there will, in all likelihood, always be a certain amount of overpayment that we would then have to try to recover?

Mr. BERRY. Mr. Davis, thank you for that question.

First, I think it is important to point out that we are in complete agreement with the recommendations that the Inspector General has made regarding this issue and as he mentioned, have implemented 10 of the 14 recommendations and have recovered of the $500 million that was identified all but $113 million. We are in the process of pursuing that final $113 million right now.

We take this very seriously. Fraud has to be followed through but it is important to point out that this is either one-fifth or two-fifths of 1 percent is the amount that has been identified that we are dealing with. It is critically important and we are not going to tolerate any. Our goal is zero. I also want to point out that it is a percentage rate that any credit card company, any major fund manager at that rate is doing a pretty darned good job, but again, our goal is zero.

We are rapidly implementing the final recommendations that are still open. The reason they haven't been closed already is one of them requires us to work with the banking community, so we are working through the Treasury Department and the banking community. In fact, maybe this committee could even help in that regard because if we could have easier electronic data transfers between banks who are helping us with these deposits, we could identify these fraudulent activities even faster, but we are implementing them.

Mr. DAVIS. I do agree that two-fifths of 1 percent is two-fifths of 1 percent and it is money and it does reflect error but I also think that it is a pretty good record in comparison to what we know about this business and the approach to it.

I understand that OPM will be performing computer matching between OPM's retirement annuity role and the Social Security death master file annually and checking on retirees over 90 years old every other year. Given the resources at your disposal, would it be possible to conduct the computer matching on a monthly basis and check with older retirees every quarter or perhaps 6 months?

Mr. BERRY. Mr. Davis, that is a great idea and it is one we are working on doing and trying to automate it so that we can do that on a regularized basis to identify and flag where we are having problems or issues in that regard. The answer is yes, absolutely. We are working with Social Security and we want to work with Treasury and financial institutions to do that in an automated way so we can get that number to zero.

Mr. DAVIS. Do you think it will actually give you the results that you are seeking and that really works for you?

Mr. BERRY. We have to be careful because what we are talking about is fraud. There are bad people in the world who we will fix one way and catch them one way and bad people will invent another, so our goal is zero and we need to be ever vigilant on this. We work very closely with our Inspector General to maintain that vigilance, but I think it would be naive to say people won't be able to invent other ways that we will have to stay current with. This is one we can never take our eye off the ball, Mr. Davis. I agree with you $1 is too much if it is lost through fraud.

Mr. DAVIS. Thank you very much. Thank you, Mr. Chairman.

My father always told us wherever there is a will, there is a way and bad people will always be looking for the way.

Thank you for your efforts and thank you for your work.

Mr. BERRY. Thank you, Mr. Davis.

Mr. ROSS. Thank you, Mr. Davis.

We will go another round. A couple of questions before I get into the retirement processing.

It is my understanding that in USA Jobs 3.0, you did consult with private industry in advance?

Mr. BERRY. Keep in mind that back end of house is all private sector.

Mr. ROSS. Specifically private information technology companies, did you consult with them prior to the launch of 3.0?

Mr. BERRY. Mr. Perry, my CIO who was involved can answer that more accurately.

Mr. PERRY. The answer is yes, we sat down with private companies. We also talked with companies such as Google and so forth even after post-launch. Going back to Director Berry's comment on Microsoft, as you know, most times you deal with a third party vendor. In the case of USA Jobs 3.0, we dealt with a third party vendor which was certified by Microsoft throughout the whole process. They are still onboard today. We also supplemented with Microsoft corporate.

Mr. ROSS. Are you still working with Monster? Did you have them on contract as well throughout this whole process?

Mr. PERRY. They are still on contract through the end of this month and it is also a bridge contract if we wanted to extend it, if we needed to do so for data transfer.

Mr. ROSS. Have they been providing any consultant services with regard to USA Jobs 3.0 or any services whatsoever?

Mr. PERRY. No. They have been very, very supportive, particularly with the data transfer. We had some issues and they helped us work through all those issues to get the compliance we needed.

Mr. ROSS. Thank you, Mr. Perry.

Director Berry, to go to the other side of this coin, the processing of the retirement claims, this is the tough one, three and a half claims a day; 60,000 behind; $120 million in annual payments that have been misappropriated. The average processing time for a case is 133 days. If there ever was a case for automation, this is it.

More importantly, it also seems like, while it may be complex and involve a lot of agencies, the system, the infrastructure by which claims processing is done for retirement systems, there ought to be a system already in place at least in the private sector or somewhere else, so why reinvent the wheel when that wheel turns out to be a square wheel not moving you along very fast? Have you looked at other options?

Mr. BERRY. There has been a lot written on the last attempt to take a private sector solution off the shelf and implement it in the last administration. Not to point any fingers, it was terminated, so there have been attempts.

Mr. ROSS. But it is antiquated.

Mr. BERRY. We have looked at that and looked at the lessons learned.

Mr. ROSS. Transporting by way of truck all these applications, scanning out to be used.

Mr. BERRY. You are absolutely right. That is something we are doing. We are scanning documents and we are working with agencies. Mr. Perry, the CIO, has done to his credit, one at least bright spot, working in our retirement unit, has worked with the agencies to provide more electronic transfer of the data files in the first place.

Mr. ROSS. Do you have a business plan in place to bring it up to date and a deadline on which to bring it up to date?

Mr. BERRY. Not in full yet, sir.

Mr. ROSS. You should do that, shouldn't you?

Mr. BERRY. Absolutely.

Mr. ROSS. You are the only game in town for these retirees. It is difficult for them, I imagine, having to wait and not know when their retirement checks are going to come in, but I would think also from a business perspective, because I think this is essentially a business function, you should have in place a business plan as to how to bring the 60,000 backload up to par and how to automate it so that this is avoidable. I would hope that is being done.

Mr. BERRY. It is, sir, and part of that is getting that process refinement and the Lean Six Sigma team's results. Once that is in place, we are looking at all the three elements of this, additional resources, which I am going to do within our budget; move resources around prioritizing this knowing it is so critical we will be ready to handle these issues.

Improve the efficiency, you are right, 3.5 is not acceptable, but keep in mind that is an average. Some cases are very simple. We are going to break that down. In the past, we have only looked at an annual number but we will bring that to a monthly number to increase the accountability and break them into the type of cases so we can really dog and track where we are having problems and incentivize for true, outstanding performers who are going above and beyond, I am happy to pay them. It is a lot cheaper to give a bonus for that progress.

Mr. ROSS. My concern, to allude to what Mr. Lynch talked about, we may be having many hearings on this unless there seems to be some indication that there is going to be resolution of this problem. Resolution means challenging yourselves to meet a deadline. Plans become goals when you give them deadlines. I guess what I am asking are there any deadlines in place to bring this up to date so that we don't have this problem?

Mr. BERRY. We will have to you in the very near future the plan you are discussing. I look forward to coming back and going through that in great deal with you. We have to tackle this from a multitude of angles. One is what you mentioned, we have to automate certain parts of this.

Rather than try to automate all of it, if we can automate the easiest pieces, one of the things we would like to look at is an innovation grant program. The VA has had great success with this. You identify the problem, you put it out on the internet with a cash award.

Mr. ROSS. To incentivize.

Mr. BERRY. To incentivize it. Private sector, everybody can respond to that, individuals can respond to it and we can grab the best idea. We are looking at literally every approach we can take to have innovation on this problem. Where we are now is not acceptable.

Mr. ROSS. I agree.

Director, my time is up. The distinguished gentleman from Massachusetts, Mr. Lynch, is recognized for 5 minutes.

Mr. LYNCH. Thank you again, Mr. Chairman.

Director Berry, I know in the private sector when we have a situation like this where you have a huge volume of work, it is pretty standard that companies will reach out and bring back some of their recent retirees. I know you have had a wave of retirements from the very people who approve these applications. These folks are well trained, have been doing this for 20 or 30 years, they know the system inside and out and now we are short of people.

We have tried to address this issue before where we can call back some people just until we get rid of this backlog. Since they are already retired, we will just put them back out on retirement again. It is a very efficient way to do it. They are already cleared for security reasons, they are already familiar with the system. It would seem that would be the easiest way to move some of these applications.

Mr. BERRY. Mr. Lynch, it is a great idea and it is one we are pursuing and working with retirees that we might be able to bring back to do just that. The other thing we are doing is, in talking with my head of retirement services, I made it clear this has to be

all hands on deck. We need to look at anybody who has ever processed cases. They might have moved on to a different project or a different responsibility. Until we get this backlog under control, they have to go back to doing cases.

As I said, all hands have to look at that and even the Director of Retirement Services. I said, you may not be able to process a case yourself, but you can fill in the missing pages from the agency, get them online and get those papers delivered so the person who knows it can do it. Everybody has to be involved in fixing this. We have to get this backlog down, we have to get this to a more reasonable time.

The one bright spot is our accuracy is holding. Even with the delay, we are running at a 96 to 97 percent accuracy rate which we regularly test, for all processing. I have told people our goal is simple. We want accurate service, faster service and I don't want backlogs. We have to do that with good customer service.

Mr. LYNCH. Where are we actually doing this work? Physically, where are we doing it?

Mr. BERRY. Two places, primarily in Boyers, Pennsylvania which is western Pennsylvania north of Pittsburgh and we also have the operation for the disability claims here in Washington, DC, and the retirement operation here.

Mr. LYNCH. How many folks do we folks do we have engaged in doing this work in Boyers? Do you have a figure on that?

Mr. BERRY. If I could get you the exact figure for the record, we will give you the exact break out of both work forces in both places.

Mr. LYNCH. Here is what I am getting at. This is a mess and it can't continue. It looks like it is going to get worse, so rather than have that happen, we have to get involved. This committee has to get involved; this subcommittee has to get involved. We may have to go out to Boyers and actually figure out what the heck is going on there and figure out what needs to be fixed because if work does not get done between hearings, it is just endless.

I would like to get right into the weeds and figure this whole thing out. I know you and other branches were laying off people at the IRS. These are qualified employees who have great accounting backgrounds and probably have all the necessary tools to do this type of processing.

Rather than lay them off, we could bring them over to this side to use their skills and abilities to help us with this problem. This cannot continue. This cannot continue. This is an embarrassment. We have 60,000 people waiting to retire, to get their applications retired and it is going to get a lot worse. This is a log jam that is just going to grow and grow and grow. We have to get our arms around this thing.

We are trying to help. Maybe with the turnover in folks, we haven't really addressed this problem. We are just sort of whistling through the graveyard here and we need to make this a priority and get the thing done.

Once it is on an even keel where we can do these things within 30 days, I think the system will run itself, but right now, we have an unsustainable system. We need to figure it out.

Mr. BERRY. Mr. Lynch, I know the committee's time is precious or the committee staff from both sides, I would welcome to join

with us as we peel through this onion and come up with our business plan strategy on how we can fix this.

You are exactly right. When you go back to the resource question, it is perplexing to me that someone would reduce all the retirement staff under the presumption that a new system was going to work and then have the system fail. We never put back those staff and we continue today, after 3½ years, to wrestle trying to dig out from that hole.

We hired 40, we lost 5. They fell out through the hiring and training process, so we have 35 that we are putting on the front lines. We have to bring on another 40 because as you rightly mentioned, we get 9,600 cases in a month, process about 7,700 a month. That is a shortfall of 1,900. With the backlog, that is going to continue to worsen until we can get those numbers right. It is a combination. I don't want to say it is all resources; it has to also be efficiency. We have to drive our employees to be better and smarter and provide them the training to do that. Some of it is resources and we are going to be stepping up as best we can.

Mr. LYNCH. Thank you, Mr. Director. I appreciate that.

Mr. ROSS. Thank you. The gentleman from Minnesota, Mr. Walberg, is recognized for 5 minutes—Michigan.

Mr. WALBERG. We are all coal country but I am glad to be from Michigan.

I apologize for not being here until this point in time, so I would be delighted to yield any time back to the chairman if he has further questions.

Mr. Berry, I would like to follow up on what I have read, the research we have done on the subject and ask you, do you stand by your decision to make USA Jobs a hybrid system?

Mr. BERRY. Yes, sir.

Mr. WALBERG. Even with the challenges, the backlog and all of the frustrations and the sense that we are going backward?

Mr. BERRY. Clearly, as I admitted in the testimony, we could have done better and I sure wish we had the first week to be different, but where we are now, pick any metric you want, they are all moving in the right direction. Our help desk tickets are down from 4,000 to less than 400 yesterday which for a system of this size, 700,000 contacts a day is a normal usage help desk contact base. We are projecting that going forward with just normal questions of how do I change my password and etc.

In terms of applications, agencies being able to successfully post their jobs, applicants successfully file their resumes and compete for jobs, we are rapidly approaching over 1 million resumes.

Mr. WALBERG. We would not be better off back using a contract with the private sector?

Mr. BERRY. I think from what we are seeing, this hybrid solution I think was the right call by the Chief Human Capital Officers Council. We had a bumpy start, but I think we have put in place what needs to be done to make this work going forward. We will obviously keep the committee fully abreast on where we stand with our metrics but right now, we are moving in the right direction.

I think to go backward would waste an awful lot of resources and put things into greater confusion. I think right now we are at a

place where if we continue our steady progress forward, both the taxpayer, applicants and agencies will all be well served.

Mr. WALBERG. Thank you, Mr. Chairman. I yield back.

Mr. ROSS. The gentleman yields his time.

Just to follow up, with regard to the retirement cases, the $120 million annually that is misappropriated by being paid incorrectly or inadvertently to others, are you taking any immediate steps to put a stop to that and if so, what are those steps?

Mr. BERRY. Yes, sir, and I think we go into that in great deal in the written response. The IG made 14 recommendations. Ten of them have been fully implemented and we are hard at work implementing the final four.

Mr. ROSS. Including verification?

Mr. BERRY. Doing the verification. Of the $120 million a year, he mentions looking at a 5-year window a total of about $500 million that we were wrestling with. We have been after recovering all of that. We are down to the final $113 million of that $500 million. As Mr. Davis said, we are not leaving any dollar stone unturned.

I want to point out this is not the result of misfeasance by the agency. This is fraud, people breaking the law.

Mr. ROSS. They have to assert or affirm that they are alive?

Mr. BERRY. Yes. We want to catch them, we are after catching them. We have done the automated comparisons with Social Security that the IG recommended. The last piece we are working on is to work with the banking system so that we can have faster exchange on an automated basis that way because that will allow us to identify the fraud faster and eliminate it quicker. We are hard at work at it and I believe that is one we have a good record on.

Mr. ROSS. Thank you, Mr. Berry.

I now recognize the gentleman from Illinois, Mr. Davis, for 5 minutes.

Mr. DAVIS. Thank you, Mr. Chairman.

Director Berry, you testified that OPM plans to address the retirement claims backlog in 18 months. I believe there are currently 60,000 cases, I am told, in the backlog. Is that right?

Mr. BERRY. Yes, sir.

Mr. DAVIS. I also understand that OPM receives approximately 100,000 claims a year, not including early outs and buyouts. OPM has had a backlog of cases for years and the agency has tried for 24 years to automate its retirement claims processing system. That said, I also understand you have shifted resources to hire additional personnel, completed training of certified legal administrative specialists, started work on an online application and been able to reduce average case processing times from 138 days last year to 125 days this year, using existing staffing capabilities. Nevertheless, the problem still exists, is that correct?

Mr. BERRY. Yes, sir, and we still have a backlog that we have to resolve.

Mr. DAVIS. Could you tell us how many total staff you now have working on retirement claims?

Mr. BERRY. If I could, Mr. Davis, as Mr. Lynch requested, we will give you an exact breakdown not only of the current staff but where they work between our Pennsylvania operation and our D.C. operation on retirement.

Mr. DAVIS. Do you think we will get to the point where we see light at the end of the tunnel? It is obviously perplexing and we have some distance to go. How do you project that we will end up?

Mr. BERRY. I think there are four key elements and they will be the pillars in the chairman's business plan that we are trying to craft. Some of it is improving our process and that goes to the Lean Six Sigma Team we discussed. Some of it goes to holding our accountability for our performance, improving our efficiency, having our employees do more and more accurately. Some of it goes to resources that we have discussed with Mr. Lynch. Finally, some of it goes to agency connectivity which we are trying to improve through an automated basis.

Right now, about 20 percent of the cases that we get from the agencies are incomplete. One of the reasons we can't begin processing to adjudicate that claim is we are missing pieces of the file. We have to go back and reconstruct it and that takes time. To the extent we can work with agencies to resolve that and have retirees work with their agency, if they have the luxury of knowing their retirement is coming, to help make sure their file is complete and accurate because that greatly expedites the time in which we can process those claims.

I think those are the four pillars—better agency cooperation and connectivity; better performance and accountability; better process, doing the process simpler and smarter; and the right level of resources which is going to require us quite frankly to put more bodies on this. Until we have some of these IT solutions in place, we cannot kid ourselves, this is a paper/pencil process. It is going to take more people.

Mr. DAVIS. Let me appreciate everything that you are trying. Especially, I appreciate the last mentioned, in terms of the right level of resources. I understand you just cannot get blood out of a turnip. You can squeeze, you can tease it, you can do all that you can do, but you still end up with turnip juice. As we go through this process of cutting and eliminating and trying to figure out how we approach budgeting and spending, I think if we want certain results, in some instances we are going to have to bite the bullet, put the resources in and then our expectations can be real in terms of what we get.

Let me thank you for your efforts. I yield back, Mr. Chairman.

Mr. ROSS. Thank you. The gentleman yields.

We will conclude our first panel. Director Berry and Mr. Perry, thank you both for being here. We look forward to continuing to work with you hopefully to a satisfactory resolution.

Mr. BERRY. Mr. Chairman, thank you. It is an honor always to be with you.

Mr. ROSS. Thank you.

We will take a brief recess for the clerks to prepare for the next panel.

[Recess.]

Mr. ROSS. I am pleased to introduce the Honorable Patrick McFarland, Inspector General, Office of Personnel Management, accompanied by Mr. Jeffrey Cole, OPM's Deputy Inspector General for Audits. We also have Mr. Tamburrino, Deputy Assistant Secretary of Defense for Civilian Personnel Policy. We have Ms. Val-

erie Melvin, Director, Information Management and Human Capital Issues for the Government Accountability Office. We have Mr. Patrick Manzo, executive vice president, Global Customer Service and chief privacy officer, Monster Worldwide. We have Mr. Mark Conway, senior vice president and chief information officer, Monster Worldwide.

Panelists, again pursuant to committee rules, if you would all stand and be sworn. Raise your right hands.

[Witnesses sworn.]

Mr. ROSS. Let the record reflect that all the witnesses answered in the affirmative.

I understand we have four statements, so I will ask you to limit your opening statement to 5 minutes. Your written statement has been entered into the record today.

With that, Mr. McFarland, I will recognize you for 5 minutes for an opening statement.

STATEMENTS OF PATRICK E. MCFARLAND, INSPECTOR GENERAL, U.S. OFFICE OF PERSONNEL MANAGEMENT, ACCOMPANIED BY JEFFREY COLE, DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDITS, U.S. OFFICE OF PERSONNEL MANAGEMENT; PASQUALE M. TAMBURRINO, JR., DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR CIVILIAN PERSONNEL POLICY, U.S DEPARTMENT OF DEFENSE; VALERIE C. MELVIN, DIRECTOR, INFORMATION MANAGEMENT AND HUMAN CAPITAL ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; PATRICK W. MANZO, EXECUTIVE VICE PRESIDENT, GLOBAL CUSTOMER SERVICE AND CHIEF PRIVACY OFFICER, MONSTER WORLDWIDE, INC., ACCOMPANIED BY MARK CONWAY, SENIOR VICE PRESIDENT AND CHIEF INFORMATION OFFICER, MONSTER WORLDWIDE, INC.

STATEMENT OF PATRICK E. MCFARLAND

Mr. MCFARLAND. Good morning, Chairman Ross, Ranking Member Lynch, and members of the subcommittee.

My name is Patrick McFarland and I am the Inspector General of the U.S. Office of Personnel Management. Thank you for inviting me.

I will be discussing how OPM implements and utilizes IT policies and systems on an agency-wide basis.

The first issue that must be examined is how OPM develops its IT systems. Building an IT system must be done in a very deliberate, structured and methodical manner that takes budgeting, development and subsequent maintenance, testing, risk analysis and security protections of the IT system into account.

Such processes are important because it is easier and much more efficient to invest the time and resources necessary to develop the right procedures to use going forward than it is to go back and fix problems after they occur. In our estimation, OPM has encountered difficulty in this area because it sometimes lacks the needed, dedicated expertise to properly oversee the development of agency IT systems projects.

I know that the subcommittee is particularly interested in the recent in-house implementation of USA Jobs 3.0. We too have con-

cerns but we have not yet had an opportunity to review OPM's implementation process. Therefore, during the fiscal year, we intend to conduct two audits of the USA Jobs system.

The first audit, for which we are already planning, will evaluate whether appropriate IT security controls exist to minimize the risk of security breaches. The second audit will review whether OPM followed systems development life cycle procedures properly.

Another area of concern for us is OPM's IT security governance. While improvements have been made over the last year, OPM's IT security program still operates in a highly decentralized manner that has proven to be ineffective. The CIO and OPM's program offices share responsibility for IT security. In practice, this has meant that the program offices manage most aspects of IT security and the CIO provides mainly policy development and oversight.

This is problematic because OPM program offices tend to focus their resources and efforts on operational issues and make IT security a secondary concern. Consequently, we continue to recommend that the CIO be given the resources necessary to centralize the responsibility for the security of OPM IT systems.

I would like to remind the subcommittee that IT matters are neither the source of, nor the solution to, all of OPM's problems related to its core functions. I am particularly troubled by OPM's continuing pattern of making improper payments to deceased annuitants. Instead of spending resources on recovering those improperly paid funds, OPM should instead be focusing on preventing these payments from being made in the first place.

My office issued reports in 2005, 2006, 2008, and 2011 to the OPM directors that expressed concern and made recommendations about how to prevent improper payments. A 2011 report noted that improper payments to deceased annuitants had reached $120 million annually over the last 5 years. While only a portion of this amount represents long-term improper payments, these payments are the most problematic because our experience is that these improper payments usually cannot be recovered.

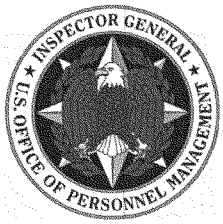
As an example, our report noted the case of an annuitant's son who continued to receive benefits until 2008, 37 years after his father's death in 1971. The improper payment in this case exceeded $515,000 and was reported to OPM only when the son died. None of these funds could be recovered.

We have worked closely with the agency in working groups comprised of OIG staff and OPM program officials. This has resulted in a number of recommendations, many of which OPM has implemented. However, such actions have proven to be only partial remedies to a systemic problem.

OPM must continue to adapt to an increasingly automated world. We have been working with Director Berry to prevent these improper payments and will continue to do so in the future. We particularly appreciate his proactive support.

Thank you again for inviting me today and we would be happy to answer any questions.

[The prepared statement of Mr. McFarland follows:]



Office of the Inspector General
United States Office of Personnel Management

Statement of the Honorable
Patrick E. McFarland
Inspector General
U.S. Office of Personnel Management

before the

House of Representatives
Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy

on

"Back to the Basics: Is OPM Meeting its Mission?"

November 15, 2011

Chairman Ross, Ranking Member Lynch, and Members of the Subcommittee:

Good morning. My name is Patrick E. McFarland. I am the Inspector General of the U.S. Office of Personnel Management (OPM). Thank you for inviting me to testify at today's hearing about OPM's use of information technology (IT) to fulfill its core missions. As the Federal Government's human resource office, OPM plays a critical role in recruiting, retaining, and providing employment-related benefits to a world-class workforce that serves the American people.

Today's hearing focuses on the role of IT systems in fulfilling the first and last of these responsibilities: OPM's role in the hiring and retiring phases of a Federal

employee's career. I urge the Subcommittee to look at these issues in the broader context of how OPM implements and utilizes IT policies and systems on an agency-wide basis.

IT Systems Development

OPM relies upon IT systems to manage its core business operations and deliver products and services to many stakeholders. As others here will discuss in more detail, OPM has long struggled with modernizing its retirement IT system and, more recently, has encountered problems with the launch of USAJOBS 3.0. An April 2009 Government Accountability Office report (GAO-09-529) concluded that OPM's past shortcomings in systems development can primarily be attributed to a lack of disciplined processes in several key areas, including investment management, requirements management, testing, project oversight, risk management, and information security.

We believe that a key cause of OPM's challenges in this area can be traced to the lack of institutional knowledge within OPM concerning system development life cycle (SDLC) processes. SDLC is a process for building information systems in a very deliberate, structured, and methodical way. We believe that an important first step is for OPM to start building this institutional knowledge by retaining one or more individuals within its Office of the Chief Information Officer (OCIO) who understand SDLC processes and have successfully used proven methodologies for large scale system development projects.

Once OPM has that institutional knowledge, it could properly evaluate its current SDLC processes; make appropriate revisions; and communicate the requirements to all agency program offices. This SDLC expertise would be used to oversee all OPM system development projects and as a resource for project managers.

I cannot stress how important it is to have the correct processes in place at the beginning of any project. It is much easier (and more efficient) to invest the time and resources necessary to develop the right procedures to use going forward than it is to go back and fix problems after they occur.

USAJOBS 3.0

I know that the Subcommittee is particularly interested in the recent implementation of USAJOBS 3.0. We too have concerns. However, we have not had an opportunity to review the USAJOBS 3.0 system development process. Therefore, we plan to initiate two audits of USAJOBS 3.0 this fiscal year. We are

already in the planning phase for the first audit, which will cover IT security. Our objectives will be to verify that appropriate IT security controls are in place to minimize the risk of security breaches similar to those that occurred with the prior contractor.

The second audit will be to determine if OPM followed a disciplined systems development process focusing on investment management, requirements management, testing, project oversight, and risk management.

IT Security Governance

The other vital issue related to the management of diverse and complex IT systems such as those overseen by OPM is properly managing an information security program to reduce risk to agency operations.

Information security governance is the overall framework and supporting management structure and processes that are the foundation of a successful information security program. Proper governance requires that agency management proactively implements the cost-effective controls needed to protect the critical information systems that support the core mission, while also managing the changing risk environment. In this context, "governance" refers to a variety of activities, challenges, and requirements, but is primarily focused on identifying key roles and responsibilities and managing information security policy development, oversight, and ongoing monitoring activities.

For many years we have expressed concerns in audit reports about OPM's IT security program. Specifically, the agency had outdated information security policies and procedures, an understaffed IT security program, and (for almost two years) no senior agency IT security official (SAISO). Under the leadership of the current Chief Information Officer, OPM made progress in addressing these concerns during fiscal year (FY) 2011. It updated most of its security policies and procedures, increased the IT security staff, and retained a permanent SAISO.

There is still, however, the problem that OPM's IT security program is highly decentralized, meaning that the OCIO and OPM's program offices share responsibility for IT security. In practice, this has meant that most of the management of IT security is in the program offices, with the CIO providing policy development and oversight. We do not believe that this division of responsibility is satisfactory because OPM program offices tend to focus their resources and efforts on operational issues and make IT security a secondary concern. Consequently, we continue to recommend that the OCIO be given the

resources necessary to centralize the responsibility for the security of OPM IT systems.

Non-IT Concerns

It is important to point out that IT programs are neither the source of nor the solution to all of OPM's problems related to its core functions.

I am particularly troubled by OPM's continuing pattern of making improper payments to deceased annuitants, necessitating the expenditure of significant resources to recover these monies. Resources should instead be used to identify and, more importantly, prevent improper payments from being made. We have been working closely with OPM on this issue for over six years, and while improvements have certainly been achieved, systemic problems remain.

My office's efforts began in 2005 when we initiated a study of best practices for preventing improper payments to deceased annuitants. Along with OPM representatives, we met with several benefit-paying Federal agencies and a major corporation to discuss procedures and internal controls that were used to prevent and detect improper payments. This study resulted in a report that we provided to the OPM Director containing recommendations for improvements related to preventing improper payments from the Federal Government's Civil Service Retirement and Disability (CSRD) Fund. We updated and reissued this report in January 2008, reflecting the progress that the agency had made in addressing our original recommendations, and providing additional recommendations. While a number of improvements have been implemented since then, it has become clear that they were only partial remedies. Consequently, my office issued a third report in September 2011 to again highlight the need for aggressive action in this area.

This report, "*Stopping Improper Payments to Deceased Annuitants,*" attempted to demonstrate the need to stop the flow of improper payments once and for all from the CSRD Fund to deceased annuitants, which have averaged $120 million annually over the last five years. It is important to note that this entire amount does not represent long-term improper payments. Much of it - although OPM could not provide the exact amount - comes from improper payments that are identified and recovered in a matter of a few months. These are often the result of a retiree passing away just before the retirement payment is made for that month, or because the deceased's family takes a month or two to report the death. These payments are usually recovered in full.

While of course we would like to prevent all post-death improper payments, as each one requires time and effort to recover, our paramount concern is with those payments resulting when an annuitant's death is not properly reported or detected and which then continue for many years. These payments are frequently taken by a relative or guardian of the deceased annuitant who neglected to report the death. In many cases, these individuals then actively lead OPM to believe that the annuitant was still alive by forging his or her signature on an inquiry form from the agency. Our experience is that these improper payments often cannot be recovered.

As an example, our report noted the case of an annuitant's son who continued to receive benefits until 2008, 37 years after his father's death in 1971. The improper payment in this case exceeded $515,000 and was reported to OPM only when the son died. None of these funds could be recovered. While this is a larger than average improper payment, it is not unusual for these amounts to exceed $100,000. Despite the improvements that have been implemented, there remains a high probability that this egregious loss of monies from the CSRD Fund will continue. Each year we identify new cases which support this concern.

Based upon our recommendations, OPM has taken positive steps to address this issue. Regular meetings over the last three years between OPM subject matter experts and my office have led to enhanced identification and prevention measures. These measures need to be further refined, incorporated into routine business processes, and monitored on a continuous basis by senior management.

Currently the key initiatives include:

- **Computer matching**: OPM will conduct an annual computer match between the OPM retirement annuity roll and the Social Security Death Master File to identify deceased annuitants who continue to receive annuity payments. The agency has just begun performing the match for this year.

- **Increasing contact**: The retirement program office will systematically contact a sample of the annuity roll population over 90 years old and request that they send OPM a signed response confirming their vital status and validating their correspondence address. It has conducted this exercise once and plans to do so every other year going forward, with the next effort scheduled for later this fiscal year.

- **Analysis of undeliverable correspondence**: Under Treasury regulations, OPM must annually send annuitants an IRS Form 1099-R reporting the amount of the annuity that the retiree received during the calendar year. OPM has agreed to analyze undeliverable correspondence, focusing on these Forms 1099-R, and contact those annuitants to determine why the mail was returned. OPM is currently in the process of performing this project for the Forms 1099-R returned in January 2010.

- **Recovering improper payments from financial institutions**: OPM is attempting to improve and streamline the process whereby it works with U.S. Department of the Treasury to reclaim improper payments to deceased annuitants directly from the back accounts where they were electronically deposited.

In addition, we have strongly recommended that OPM establish a permanent working group of retirement program subject matter experts to focus on improving the retirement program's integrity. This group would identify and explore risk areas and take advantage of the wealth of information contained in the annuity roll by, for example, developing data mining programs that would search for anomalies indicating possible improper payments or fraud.

Conclusion

OPM operates a wide range of complex, governmentwide programs. The agency has been largely successful in providing the Federal Government with the human resources support that it requires. However, OPM also must continue to evolve and adapt to an increasingly automated world. To do this, it needs both the leadership and the resources to properly plan and carry out such initiatives. To this end, we have been working closely with Director Berry to see that OPM meets the challenges ahead of it. We particularly appreciate Director Berry's proactive support.

Thank you again for inviting me here today. I would be happy to respond to any questions you may have.

Mr. ROSS. Thank you, gentlemen.

Mr. Tamburrino, you are recognized for 5 minutes for an opening.

STATEMENT OF PASQUALE M. TAMBURRINO, JR.

Mr. TAMBURRINO. Chairman Ross, Ranking Member Lynch, and members of the subcommittee, on behalf of the Secretary of Defense, Leon E. Panetta, thank you for inviting the Department of Defense to appear at this hearing to discuss the U.S. Office of Personnel Management's efforts to modernize the Federal Government's hiring and retirement claims system.

My testimony today includes background regarding DoD's participation in the USA Jobs 3.0 project and the context for DoD's decision to support that effort. I am also pleased to testify regarding DoD's retirement practice.

DoD is one of the world's largest civilian employers with close to 1 million civil servants proudly supporting our warfighters. The high volume of hiring actions that passes through DoD each year underscores the importance of USA Jobs and its ability to improve hiring time lines.

We processed approximately 245,000 civilian hiring actions in fiscal 2010 and 200,000 actions in fiscal 2011. These numbers include transfers, promotions, reassignments and other actions. DoD has made great strides in reforming the hiring process by reducing hiring timelines, streamlining the hiring process and focusing on efficient hiring practices.

We have embraced the President's hiring reform initiatives and successfully implemented measures to improve the applicant and hiring manager experience attracting and obtaining top talent and improving the hiring timelines.

In fiscal year 2009, DoD's average time to complete a competitive hire, the focus of the President's mandate, was estimated at 155 days. In fiscal 2011, the reported average time line was 107 days, a 31 percent reduction from 2009. We have improved our hiring time lines in all categories. All the trend lines are moving in the right direction with the time lines for all types of hires now standing at 72 days.

A key component of DoD's hiring reform efforts is a focus on improving the enterprise automation that supports our hiring and staffing processes. As OPM's hiring reform initiatives began, the Chief Human Capital Officers Council commissioned a study to improve the entire Federal hiring infrastructure, including USA Jobs. DoD participated in that study and has been a full partner with OPM throughout the USA Jobs 3.0 design and development process.

The issues experienced with deployment of USA Jobs are not unlike the complexity of the issues I have experienced as a major defense acquisition program executive. While we experience significant challenges at the start, DoD, in partnership with OPM, confronted these challenges quickly and effectively. Our hiring efforts have not been hampered by the deployment of USA Jobs 3.0. Our decision was and continues to be to stay the course with OPM as our goal of consistently posting announcements with confidence to reach high quality job seekers is being realized.

Turning to the issue of retirement processing, in the mid-1990's, DoD began to consolidate benefits processing and all of our components by maximizing the use of automation and technology. We currently have three regional benefits centers which perform processing for most of the DoD work force and collectively process approximately 24,000 retirements a year.

These centers are very successful due to the hard work of the regional benefit advisors and the front line human resource specialists providing service to our customers. Over the past several year, DoD has consistently exceeded OPM's aging of separation performance requirement with the timely processing of retirement claims.

While we acknowledge that some employees have experienced delays in having their claims adjudicated, OPM is partnering with DoD and other Federal agencies to transform business processes for accurate and expeditious processing of retirement claims.

DoD is committed to sustaining our efforts to attracting the highest quality and caliber applicants, providing hiring managers a superior set of tools to meet their hiring needs and sustaining a flexible set of information technology tools that can be modernized as needed.

We look forward to sustaining our partnership with OPM in this regard. Thank you again for the opportunity to speak with you on these important topics. I am pleased to take your questions.

[The prepared statement of Mr. Tamburrino follows:]

Chairman Ross, Ranking Minority Member Lynch, and Members of the Subcommittee:

On behalf of the Secretary of Defense, Leon E. Panetta, thank you for inviting the Department of Defense (DoD) to appear at this hearing today to discuss the U.S. Office of Personnel Management's (OPM) efforts to modernize the federal government's hiring and retirement claims systems, with specific focus on the Department's combined efforts with OPM to address the technical problems associated with the recent launch of USAJOBS 3.0. Thank you also for the opportunity to testify regarding DoD's current benefits and retirement practices.

INTRODUCTION – USAJOBS 3.0

DoD is one of the world's largest civilian employers, with close to 1 million civil servants proudly supporting our warfighters. We processed approximately 245,000 civilian hiring actions in FY2010, and 200,000 in FY2011. The high volume of hiring actions that passes through DoD each year underscores the importance of USAJOBS and its ability to help improve hiring timeliness. The Department appreciates the opportunity to discuss OPM's management of this mission-critical system, including its ability to prioritize resources, address management weaknesses, and achieve planned capabilities. My testimony includes background regarding DoD's participation in the USAJOBS 3.0 project, and the context for DoD's decision to support that project. Before discussing those details, I would like to provide a snapshot of DoD's current operating status for

USAJOBS and our back-end systems for the time period after the USAJOBS 3.0 transition.

From October 11th to November 3rd, 2011, DoD has:

- posted over 6,500 new job announcements to USAJOBS;
- received and processed more than 150,000 job applications;
- issued nearly 13,000 referral certificates;
- made over 5,700 selections.

These statistics indicate to me we have not been hampered in our hiring efforts by the deployment of USAJOBS 3.0. These numbers tell me that while we experienced some challenges at the start, DoD, in partnership with OPM, has confronted those challenges head-on, dealt with them quickly and effectively, and we are no longer experiencing significant system problems in DoD.

HIRING REFORM AT DoD BY THE NUMBERS

DoD has made great strides in reforming the hiring process by reducing hiring timelines, streamlining the hiring process, and focusing on efficient hiring practices. Prior to implementing the May 2010 Presidential Memorandum for Improving the Federal Recruitment and Hiring Process, measurement of all hiring practices was inconsistent and lacked critical input from individual Components and Servicing Agencies. In 2010, we adopted standard measurement practices that enabled our

leadership to analyze and measure hiring timelines across multiple dimensions, and to drive mission-critical changes.

Before adopting these changes, and prior to the implementation of hiring reform efforts, the average time to complete a competitive hire was estimated at 155 days in FY2009. Competitive hires were the primary focus of the Presidential mandate. This timeline was subject to the highest level of scrutiny across DoD. The reported average timeline for 2011 was 107 days - a 31% reduction from the 2009 figure. Furthermore, in the last quarter of 2011, the time to complete a competitive hire was further reduced to 91 days, a 59% reduction from the 2009 figure. The positive improvement in these hiring timelines is expected to continue in 2012 as further hiring reforms are implemented across DoD.

In early 2010, we began to measure hiring timelines beyond delegated examining. For example, it took approximately 95 days for the Department to successfully hire an individual into DoD from outside the Federal Government, known as an 'External hire.' By 2011, the average time to complete an External hire was 85 days - an 11% reduction. For 2012, we are targeting an average time of 80 days for External hires.

Internal hires, i.e., those initiating from within the Federal Government (including DoD), took 60 days to complete in 2010. By the end of 2011, the DoD was able to reduce these timelines by 4 days or 7%. The aggregate hiring timeline for All Hires (Internal and External combined) in 2010 was measured at 73 days. Through targeted process reforms and implementation of best practices, by the end of 2010, the measured

time to hire was 66 days - a 10% reduction. Overall, all of the trend lines are moving in the right direction.

DoD's hiring volume progression is consistent with priority goals and an increased focus on efficient hiring practices. We reduced hiring levels in 2011, indicating these mission-critical efforts have enabled the DoD to utilize fewer resources in support of the warfighter. While External and Internal hires have decreased in volume, the volume of competitive hires has increased by 7%. DoD set a mission goal to "Hire the Best," and the increase in competitive hires is indicative of the civilian population's steadfast dedication to this effort. When combined with improvements in hiring timelines, DoD has improved its ability to quickly get the best talent into the right jobs to support the men and women of the United States Armed Forces.

HUMAN RESOURCE (HR) PROCESSING ACROSS THE DOD ENTERPRISE

In order to fully discuss the impacts of OPM's initiatives to the Department, it is necessary to provide a clear picture of how HR processing occurs across DoD. In the current civilian hiring environment, each Component (Army, Navy, Air Force, National Guard, DFAS, and DLA) manages its own hiring process. Roles and responsibilities vary within DoD between Human Resources, Security, Functional Communities and Component Major Commands. The method in which regulations are implemented adds further complexity. With disparate and complex hiring processes and systems across DoD, it was imperative that we develop and maintain a common business process for

hiring applicants and a streamlined automated solution to support and institutionalize that process across our enterprise.

In 2010, the Department participated in multiple Lean Six Sigma process improvement sessions to streamline standardized hiring processes into a clear 10-step, end-to-end process. This standardization enabled more accurate hiring timeline reporting and increased internal and external visibility of the hiring process. Through standardization efforts over the past year, DoD's toolkit of hiring-related metrics and measurements has grown, further enabling transparency and targeted improvements to the hiring process and employment lifecycle.

While DoD was implementing its standardized hiring process, a Presidential mandate was established to drive improvements to the overall Federal hiring process. The Presidential mandate issued six key directives for Agencies to execute no later than November 1, 2010. In compliance, DoD has focused its Hiring Reform implementation efforts on three major areas – improving the applicant experience, attracting and obtaining top talent, and improving hiring timelines. Underlying all DoD Hiring Reform Initiative efforts and workforce lifecycle improvements has been a concentrated focus on data and metrics to monitor progress and inform decision-making.

IMPROVING DOD'S HR AUTOMATED SOLUTIONS: THE ROAD TO USAJOBS 3.0

A key component of DoD's Hiring Reform efforts is a focus on improving the enterprise automation that supports our hiring and staffing processes. Our efforts in this

area pre-date OPM's 2009 Hiring Reform efforts by several years. From 2007 to 2009, select DoD Components independently pursued pilot implementations of USA Staffing. Separately, DoD pursued the pilot implementation of a commercially available system in 2008 and 2009, which ultimately did not meet our needs. When OPM began its hiring reform activities in late 2009, DoD had just terminated the above referenced software deployment to replace its aging staffing automation tools with a commercial application. Our experiences highlighted many of the unique attributes and challenges of the Federal hiring process. These challenges were made apparent during the deployment process in the form of cost-overruns and unsupported functional requirements. DoD turned toward OPM's hiring tool – USA Staffing – which supports the Federal hiring process at a lower projected cost when compared to the failed deployment previously mentioned. Use of USA Staffing has improved DoD's hiring timeliness and enabled HR professionals to manage the end-to-end process more effectively as demonstrated in DoD's hiring metrics referenced earlier. DoD's success in the area of hiring reform has been aided significantly by the USA Staffing system.

As OPM's Hiring Reform initiative began, the Chief Human Capital Officers (CHCO) Council discussed problems similar to DoD's that were experienced by other large Federal Departments. Based on these shared experiences, and the desire to improve the entire Federal hiring infrastructure, the CHCO Council commissioned a study that recommended improvements to USAJOBS. This decision was made in reaction to many of the same problems that the Department experienced with its failed deployment. DoD

participated in the study, and as a result of the recommendation, has participated and supported the USAJOBS program from that moment forward.

DoD has been a full partner with OPM throughout the USAJOBS 3.0 design and development process. OPM has been receptive and responsive to our needs. DoD supports all of the objectives outlined in the OPM's Concept of Operations developed to govern USAJOBS reform initiatives, and provides OPM with assistance in multiple arenas of the USAJOBS 3.0 project. DoD-assigned resources participated on eleven Integrated Project Teams, including leading the team created to manage specific functional areas of the project. Our participation included detailees from all of the major Commands, as well as DoD's smaller servicing agencies. In addition, DoD has provided 1 Full-Time-Equivalent, each for a period of 1 calendar year, and 2 contractor resources from June 2011 to the present time. All of these resources provide dedicated support to the USAJOBS program office during this critical period.

THE USAJOBS 3.0 RELEASE AND IMPACTS TO DOD

OPM deployed USAJOBS 3.0 site in four days with a 100% successful data migration and all vendors connected within 24 hours of system launch. Nearly immediately, problems surfaced for job seekers attempting to access the new site and agency staff attempting to post Job Opportunity Announcements (JOA) to USAJOBS through their talent acquisition systems (TAS). DoD experienced duplicate JOA

postings, delays in JOA announcement postings, and user confusion over what was being returned on job searches.

In the first weeks after the initial launch, OPM reported an inordinate amount of traffic to the site, reportedly 3 to 5 times the numbers reported by the vendor in previous iterations of the system. Job seekers experienced long disruptions in service, as well as complete inability to access the site. As these problems were diagnosed, newer and more complex issues arose, including confusion surrounding job locations and search queries returning unexpected results.

OPM responded promptly and professionally to each issue that surfaced. Within the first week, the USAJOBS team installed additional hardware and software to resolve capacity issues to handle the traffic to the site. OPM established a Command Center to communicate with job seekers and agency representatives. Additional resources were deployed to identify and correct user issues and OPM established daily meetings with CHCO representatives across the Federal Government to track agency issues.

DoD conducted daily meetings with Component Human Resources lead representatives and provided daily updates to Component Human Resources executives on issues and progress. I issued a memorandum requesting Components to extend job announcements an additional 10 days where practical, at the discretion of the Component. Our Components in turn issued guidance and personnel bulletins to their employees, unions, HR professionals, and hiring managers. While OPM conducted webinars on location codes and delivered Advisory Board notices, guides, YouTube videos, and information on the USAJOBS site, DoD alerted staff through Component HR home page

messaging, Civilian Personnel Office notices, corporate communications, and HR Officers bulletins.

The issues experienced with USAJOBS 3.0 implementation are not unlike the complexity of the software issues I have experienced as a Major Defense Acquisition Program Executive. In each case, OPM responded quickly and aggressively to connect job seekers with job opportunities across the federal government. Our decision was, and continues to be, to stay the course with OPM, as our goal of consistently posting announcements with confidence to reach top-quality job seekers is being realized and we have the utmost confidence in OPM's ability to implement successful solutions to federal HR challenges.

DOD BENEFITS AND RETIREMENT PROCESSING

Turning to the issue of retirement processing, in the mid 1990's, DoD began to consolidate benefits processing in all of our Components by maximizing the use of automation and technology. We currently have three large regional benefit centers located in Norfolk, Virginia, Fort Riley, Kansas, and San Antonio, Texas, which collectively process approximately 24,000 retirements a year. These centers perform benefits processing for most of the DoD workforce, and our operations are very successful due to the hard work of the benefits advisors at those locations and the human resources representatives providing front line service to our customers.

Over the past several years, DoD has consistently exceeded OPM's Aging of Separations performance requirement with the timely processing of retirement claims in

the first 32 days following an employee's separation. The standard established by OPM requires agencies to submit 80% of retirement claims within 32 days.

We credit our overall success to the Retirement Readiness Programs that include new employee orientation, on-going employee benefits counseling and pre-retirement seminars and counseling. DoD is committed to ensuring that our workforce is properly educated and skilled in making informed decisions in the areas of Financial Fitness and Retirement Readiness.

Processing of retirement claims requires collaboration between our personnel and payroll offices as well as the OPM. However, we acknowledge that some employees have experienced extreme delays in having their claims adjudicated by OPM. As a result of ongoing concerns, OPM has taken a number of steps to address the current backlog including allocating additional staff resources, and implementing technology and data enhancements. OPM is partnering with DoD and other Federal agencies to transform business processes by migrating from a paper-based environment to an electronic system of retirement data management that will improve retirement processing and enhance customer service.

CONCLUSION

DoD is committed to sustaining our efforts to attract the highest caliber applicants, providing hiring managers a superior set of tools to meet their hiring needs and sustaining a flexible set of information technology tools that can be modernized as needed. We look

forward to sustaining our partnership with OPM in this regard. We remain committed to providing the highest level of service to all job seekers.

In addition, as we look towards the future, we believe that OPM's efforts toward eliminating technology gaps will lead to more efficient processing of retirement claims and additional staff will help improve customer service. DoD will work with OPM to ensure that we have the capability to transfer data as accurately and expeditiously as possible to further expedite the processing of claims.

Thank you again for the opportunity to speak with you on this important topic. I am pleased to take your questions.

Mr. ROSS. Thank you, Mr. Tamburrino.

Ms. Melvin, you are recognized for 5 minutes for an opening.

STATEMENT OF VALERIE C. MELVIN

Ms. MELVIN. Good morning, Mr. Chairman, Ranking Member Lynch, and members of the subcommittee.

Thank you for inviting me to testify at today's hearing on OPM's modernization of its hiring and retirement systems which, as you have noted, are essential to ensuring an effective Federal work force.

I will start by saying that we have not examined the USA Jobs initiative that is being discussed today. However, we have previously issued several reports on OPM's initiatives to modernize its retirement processing capabilities and at your request, I will briefly summarize our findings from those reports.

Over approximately two decades beginning in 1987, OPM attempted to modernize its Federal employee retirement process by automating paper-based processes and replacing its antiquated information systems. However, its efforts were largely unsuccessful as has been noted.

Our studies found that the agency was hindered by weaknesses in a number of important management disciplines that are essential to successful IT modernization. These included project management, risk management and organizational change management. For example, in reporting on the agency's efforts in 2005, we noted that while it had defined major retirement modernization system components, OPM had not identified the deficiencies among them, thus increasing the risk that delays in one project activity could hinder progress in others.

OPM also did not have a process for identifying and tracking project risk and mitigation strategies on a regular basis and it did not have a plan that would help users transition to different job responsibilities after deployment of a new system. These deficiencies existed over many years in which OPM planned, analyzed and redirected the program, but without delivering the modernized capabilities.

In 2008, as the agency was on the verge of deploying a system, we raised other management concerns and offered recommendations for improvement. Specifically, test results 1 month prior to deploying a major system component showed that it had not performed as intended. Also, defects and a compressed testing schedule increased the risk that the deployed system would not work as planned.

Further, the cost estimate that OPM had developed was not supported by documentation needed to establish its reliability. Finally, the baseline against which OPM was measuring program progress did not reflect the full scope of the project, meaning that variances from planned performance would not be identified.

OPM nonetheless deployed a limited version of the modernized system in February 2008. However, the system did not work as expected and the agency suspended its operation and began restructuring the modernized program.

In April 2009, we again reported on the initiative, noting that the agency still remained far from achieving the capabilities it had

envisioned. Significant weaknesses continued to exist in the previously identified areas and we noted additional weaknesses as well. Specifically, OPM lacked a plan describing how the program would proceed after terminating the earlier system's contract. It lacked a fully functioning oversight body to monitor its modernization projects.

To its credit, OPM agreed with all of our recommendations and it did take some steps toward addressing them. Ultimately, however, it terminated the retirement modernization program in February 2011. It has since stated that it does not plan to undertake another large scale modernization effort. Instead, it plans to take targeted steps to improve retirement processing such as hiring new staff and working to improve data quality.

Even as it takes these more modest steps, however, it is essential that OPM fully address the deficiencies and institutionalize the management capabilities highlighted in our studies. Without doing so, the agency will not be effectively positioned to ensure the success of any future retirement or other system modernization projects that it pursues.

This concludes the summary of my statement. I look forward to your questions.

[The prepared statement of Ms. Melvin follows:]

GAO
Accountability * Integrity * Reliability
Highlights

Highlights of GAO-12-226T, a testimony before the Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

The Office of Personnel Management (OPM) is the central human resources agency for the federal government and, as such, is tasked with ensuring the government has an effective civilian workforce. As part of its mission, OPM defines recruiting and hiring processes and procedures; provides federal employees with various benefits, such as health benefits; and administers the retirement program for federal employees. The use of information technology (IT) is crucial in helping OPM to carry out its responsibilities, and in fiscal year 2011 the agency invested $79 million in IT systems and services. For over 2 decades, OPM has been attempting to modernize its federal employee retirement process by automating paper-based processes and replacing antiquated information systems. However, these efforts have been unsuccessful, and OPM canceled its most recent retirement modernization effort in February 2011.

GAO was asked to provide a statement summarizing its work on challenges OPM has faced in managing its efforts to modernize federal employee retirement processing. To do this, GAO relied on previously published work as well as a limited review of more recent documentation on OPM's retirement modernization activities.

What GAO Recommends

GAO is not making new recommendations at this time. As noted, GAO has previously made numerous recommendations to address the challenges OPM has faced in carrying out its retirement modernization efforts.

View GAO-12-226T. For more information, contact Valerie C.Melvin at (202) 512-6304 or melvinv@gao.gov.

November 2011

OPM RETIREMENT MODERNIZATION

Longstanding Information Technology Management Weaknesses Need to Be Addressed

What GAO Found

In a series of reviews, GAO found that OPM's efforts to modernize its retirement system have been hindered by weaknesses in several important management disciplines that are essential to successful IT modernization efforts. For example, in 2005, GAO made recommendations to address weaknesses in the following areas:

- **Project management**. While OPM had defined major retirement modernization components, it had not identified the dependencies among them, increasing the risk that delays in one activity could hinder progress in others.
- **Risk management**. OPM did not have a process for identifying and tracking project risks and mitigation strategies on a regular basis. This meant that OPM lacked a mechanism to address potential problems that could adversely impact the retirement modernization effort's cost, schedule, and quality.
- **Organizational change management.** OPM had not developed a detailed plan to help users transition to different job responsibilities in response to the deployment of the new system, which could lead to confusion about roles and responsibilities, hindering effective system implementation.

In 2008, as OPM was on the verge of deploying its automated retirement processing system, GAO reported deficiencies and made recommendations to improve key management capabilities in additional areas:

- **Testing**. Test results 1 month prior to the deployment of a major system component showed that it had not performed as intended. The defects, along with a compressed testing schedule, increased the risk that the deployed system would not work as intended.
- **Cost estimating**. The cost estimate OPM had developed was not supported by documentation necessary to its reliability. This meant that OPM did not have a sound basis for formulating budgets or developing a cost baseline for the program.
- **Earned value management**, which is a tool for measuring program progress. The baseline against which OPM was measuring program progress did not reflect the full scope of the project, meaning that variances from planned performance would not be identified.

In 2009, GAO reported that OPM continued to face challenges in cost estimating, earned value management, and testing and made recommendations to address these deficiencies as well as additional weaknesses in planning and overseeing the retirement modernization effort. Although OPM agreed with GAO's recommendations and had begun to address them, the agency terminated the retirement modernization effort in February 2011. The agency has since stated that it does not plan to undertake another large-scale retirement modernization, but instead plans targeted steps to improve retirement processing, such as hiring new staff and working to improve data quality. Nonetheless, the development and institutionalization of the capabilities GAO recommended to address these weaknesses remains key to the success of any future IT initiatives that OPM undertakes.

Chairman Ross, Ranking Member Lynch, and Members of the Subcommittee:

I am pleased to participate in today's hearing on the Office of Personnel Management's (OPM) efforts to modernize the federal government's hiring and retirement systems. As you are aware, these systems are crucial to helping OPM achieve its mission of recruiting, retaining, and providing services to the federal workforce, with the agency reportedly investing $79 million for its IT systems and services in fiscal year 2011.

OPM has, however, experienced challenges in managing its modernization initiatives. Reports that we issued in 2005, 2008, and 2009 on the agency's efforts toward planning and implementing a modernized retirement system highlighted its long history of undertaking retirement modernization projects that have not yielded the intended outcomes. At your request, my testimony today summarizes the findings from reports that we have issued on challenges the agency has faced in managing its efforts to modernize federal employee retirement processing.[1]

The information in my testimony is based primarily on our previous work at OPM. We also obtained and conducted a limited review of more recent documentation pertaining to the agency's current retirement system modernization activities. We conducted our work in support of this testimony during November 2011 at OPM headquarters in Washington, D.C. All work on which this testimony is based was conducted in accordance with generally accepted government auditing standards.

Background

As the central human resources agency for the federal government, OPM is tasked with ensuring that the government has an effective civilian workforce. To carry out this mission, OPM delivers human resources products and services including policies and procedures for recruiting and

[1]GAO, *Office of Personnel Management: Retirement Modernization Planning and Management Shortcomings Need to Be Addressed*, GAO-09-529 (Washington, D.C.: Apr 21, 2009); *Office of Personnel Management: Improvements Needed to Ensure Successful Retirement Systems Modernization*, GAO-08-345 (Washington, D.C.: Jan 31, 2008); *Comments on the Office of Personnel Management's February 20, 2008 Report to Congress Regarding the Retirement Systems Modernization*, GAO-08-576R (Washington, D.C.: Mar 28, 2008); and *Office of Personnel Management: Retirement Systems Modernization Program Faces Numerous Challenges*, GAO-05-237 (Washington, D.C.: Feb 28, 2005).

hiring, provides health and training benefit programs, and administers the retirement program for federal employees. According to the agency, approximately 2.7 million active federal employees and nearly 2.5 million retired federal employees rely on its services.[2] The agency's March 2008 analysis of federal employment retirement data estimates that nearly 1 million active federal employees will be eligible to retire and almost 600,000 will most likely retire by 2016.[3]

According to OPM, the retirement program serves current and former federal employees by providing (1) tools and options for retirement planning and (2) retirement compensation. Two defined-benefit retirement plans that provide retirement, disability, and survivor benefits to federal employees are administered by the agency. The first plan, the Civil Service Retirement System (CSRS), provides retirement benefits for most federal employees hired before 1984. The second plan, the Federal Employees Retirement System (FERS), covers most employees hired in or after 1984 and provides benefits that include Social Security and a defined contribution system.[4]

OPM and employing agencies' human resources and payroll offices are responsible for processing federal employees' retirement applications. The process begins when an employee submits a paper retirement application to his or her employer's human resources office and is completed when the individual begins receiving regular monthly benefit payments as calculated by OPM.

Processing retirement claims includes functions such as determining retirement eligibility, inputting data into benefit calculators, and providing customer service. To do so, the agency uses over 500 different procedures, laws, and regulations, which are documented on its internal website. For example, the site contains memorandums that outline new

[2]OPM, Fiscal Year 2010 Annual Performance Report (January 2011).

[3]OPM, *An Analysis of Federal Employee Retirement Data: Predicting Future Retirements and Examining Factors Relevant to Retiring from the Federal Service* (March 2008).

[4]The Social Security Administration is responsible for administering Social Security, and the Federal Retirement Thrift Investment Board administers the defined-contribution system known as the Thrift Savings Plan. Defined-benefit plans calculate benefit amounts in advance of retirement based on factors such as salary level and years of service, and defined-contribution plans calculate benefit amounts based on how the amount is invested by the employee and employer.

procedures for handling special retirement applications, such as those for disability or court orders. In addition, OPM's retirement processing involves the use of over 80 information systems that have approximately 400 interfaces with other internal and external systems.

OPM has stated that the federal employee retirement process does not provide prompt and complete benefit payments upon retirement, and that customer service expectations for more timely payments are increasing. The agency also reports that a greater workload is expected due to an anticipated increase in the number of retirement applications over the next decade, although current retirement processing operations are at full capacity. Further, the agency has identified several factors that limit its ability to process retirement benefits in an efficient and timely manner. Specifically, OPM noted that:

- current processes are paper-based and manually intensive, resulting in a higher number of errors and delays in providing benefit payments;
- the high costs, limited capabilities, and other problems with the existing information systems and processes pose increasing risks to the accuracy of benefit payments;
- current manual capabilities restrict customer service;
- federal employees have limited access to retirement records, making planning for retirement difficult; and
- attracting qualified personnel to operate and maintain the antiquated retirement systems, which have about 3 million lines of custom programming, is challenging.[5]

OPM Has a Long History of Unsuccessful Retirement Modernization Initiatives

Recognizing the need to modernize its retirement processing, in the late 1980s OPM began initiatives that have called for automating its antiquated paper-based processes. Initial modernization visions called for developing an integrated system and automated processes to provide prompt and complete benefit payments. However, following attempts over

[5]GAO-09-529.

more than two decades, the agency has not yet been successful in achieving the modernized retirement system that it envisioned.

- In early 1987, OPM began a program called the FERS Automated Processing System (FAPS). However, after 8 years of planning, the agency decided to reevaluate the program and the Office of Management and Budget requested an independent review of the program that identified various management weaknesses. The independent review suggested areas for improvement and recommended terminating the program if immediate action was not taken. In mid-1996, OPM terminated the program.

- In 1997, OPM began planning a second modernization initiative, called the Retirement Systems Modernization (RSM) program. The agency originally intended to structure the program as an acquisition of commercially available hardware and software that would be modified in-house to meet its needs. From 1997 to 2001, OPM developed plans and analyses and began developing business and security requirements for the program. However, in June 2001, it decided to change the direction of the retirement modernization initiative.

- In late 2001, retaining the name RSM, the agency embarked upon its third initiative to modernize the retirement process and examined the possibility of privately sourced technologies and tools. Toward this end, the agency determined that contracting was a viable alternative and, in 2006, awarded three contracts for the automation of the retirement process, to include the conversion of paper records to electronic files and consulting services to redesign its retirement operations.

- In February 2008, OPM renamed the program RetireEZ and deployed an automated retirement processing system. However, by May 2008 the agency determined that the system was not working as expected and suspended system operation. In October 2008, after 5 months of attempting to address quality issues, the agency terminated the contract for the system. In November 2008, OPM began restructuring the program and reported that its efforts to modernize retirement processing would continue. However, after several years of trying to revitalize the program, the agency terminated retirement system modernization in February 2011.

IT Management Weaknesses Have Repeatedly Hindered OPM's Retirement Modernization Efforts

OPM's efforts to modernize its retirement system have been hindered by weaknesses in several key project management disciplines. Our experience with major modernization initiatives has shown that having sound IT management capabilities is essential to achieving successful outcomes. Among others, these capabilities include project management, risk management, organizational change management, system testing, cost estimating, progress reporting, planning, and oversight. However, we found that many of the capabilities in these areas were not sufficiently developed. For example, in reporting on RSM in February 2005, we noted weaknesses in key management capabilities, such as project management, risk management, and organizational change management.[6]

- Project management is the process for planning and managing all project-related activities, including defining how project components are interrelated. Effective project management allows the performance, cost, and schedule of the overall project to be measured and controlled in comparison to planned objectives. Although OPM had defined major retirement modernization project components, it had not defined the dependencies among them. Specifically, the agency had not identified critical tasks and their impact on the completion of other tasks. By not identifying critical dependencies among retirement modernization components, OPM increased the risk that unforeseen delays in one activity could hinder progress in other activities.

- Risk management is the process for identifying potential problems before they occur. Risks should be identified as early as possible, analyzed, mitigated, and tracked to closure. OPM officials acknowledged that they did not have a process for identifying and tracking retirement modernization project risks and mitigation strategies on a regular basis but stated that the agency's project management consultant would assist it in implementing a risk management process. Without such a process, OPM did not have a mechanism to address potential problems that could adversely impact the cost, schedule, and quality of the retirement modernization project.

[6]GAO-05-237.

- Organizational change management is the process of preparing users for the changes to how their work will be performed as a result of a new system implementation. Effective organizational change management includes plans to prepare users for impacts the new system might have on their roles and responsibilities, and a process to manage those changes. Although OPM officials stated that change management posed a substantial challenge to the success of retirement modernization, they had not developed a detailed plan to help users transition to different job responsibilities. Without having and implementing such a plan, confusion about user roles and responsibilities could have hindered effective implementation of new retirement systems.

We recommended that the Director of OPM ensure that the retirement modernization program office expeditiously establish processes for effective project management, risk management, and organizational change management. In response, the agency initiated steps toward establishing management processes for retirement modernization and demonstrated activities to address our recommendations.

We again reported on OPM's retirement modernization in January 2008, as the agency was on the verge of deploying a new automated retirement processing system.[7] We noted weaknesses in additional key management capabilities, including system testing, cost estimating, and progress reporting.

- Effective testing is an essential activity of any project that includes system development. Generally, the purpose of testing is to identify defects or problems in meeting defined system requirements or satisfying system user needs. At the time of our review, 1 month before OPM planned to deploy a major system component, test results showed that the component had not performed as intended. We warned that until actual test results indicated improvement in the system, OPM risked deploying technology that would not accurately calculate retirement benefits. Although the agency planned to perform additional tests to verify that the system would work as intended, the schedule for conducting these tests became compressed from 5 months to 2-1/2 months, with several tests to be performed concurrently rather than in sequence. The agency identified a lack of

[7]GAO-08-345.

testing resources, including the availability of subject matter experts, and the need for further system development as contributing to the delay of planned tests and the need for concurrent testing. The high degree of concurrent testing that OPM planned to meet its February 2008 deployment schedule increased the risk that the agency would not have the resources or time to verify that the planned system worked as expected.

- Cost estimating represents the identification of individual project cost elements, using established methods and valid data to estimate future costs. The establishment of a reliable cost estimate is important for developing a project budget and having a sound basis for measuring performance, including comparing the actual and planned costs of project activities. Although OPM developed a retirement modernization cost estimate, the estimate was not supported by the documentation that is fundamental to a reliable cost estimate. Without a reliable cost estimate, OPM did not have a sound basis for formulating retirement modernization budgets or for developing the cost baseline that is necessary for measuring and predicting project performance.

- Earned value management (EVM) is a tool for measuring program progress by comparing the value of work accomplished with the amount of work expected to be accomplished. Fundamental to reliable EVM is the development of a baseline against which variances are calculated. OPM used EVM to measure and report monthly performance of the retirement modernization system. The reported results provided a favorable view of project performance over time because the variances indicated the project was progressing almost exactly as planned. However, this view of project performance was not reliable because the baseline on which it was based did not reflect the full scope of the project, had not been validated, and was unstable (i.e., subject to frequent changes). This EVM approach in effect ensured that material variances from planned project performance would not be identified and that the state of the project would not be reliably reported.

We recommended that the Director of OPM address these deficiencies by, among other things, conducting effective system tests prior to system deployment, in addition to improving program cost estimation and progress reporting. In response to our report, OPM stated that it concurred with our recommendations and stated that it would take steps to address the weakness we identified. Nevertheless, OPM deployed a limited initial version of the modernized retirement system in February

2008. After unsuccessful efforts to address system quality issues, the agency suspended system operation, terminated the system contract, and began restructuring the modernization effort.

In April 2009, we again reported on OPM's retirement modernization, noting that the agency still remained far from achieving the modernized retirement processing capabilities that it had planned.[8] Specifically, we noted that significant weaknesses continued to exist in three key management areas that we had previously identified—cost estimating, progress reporting, and testing—while also noting two additional weaknesses related to planning and oversight.

- Despite agreeing with our January 2008 recommendation that OPM develop a revised retirement modernization cost estimate, the agency had not completed initial steps for developing a new cost estimate by the time we reported again in April 2009. At that time, we reported that the agency had not yet fully defined the estimate's purpose, developed an estimating plan, or defined the project's characteristics. By not completing these steps, OPM increased the risk that it would produce an unreliable estimate and not have a sound basis for measuring project performance and formulating retirement modernization budgets.

- Although it agreed with our January 2008 recommendation to establish a basis for effective EVM, OPM had not completed key steps as of the time of our April 2009 report. Specifically, despite planning to begin reporting on the retirement project's progress using EVM, the agency was not prepared to do so because initial steps, including the development of a reliable cost estimate and the validation of a baseline, had not been completed. Engaging in EVM reporting without first performing these fundamental steps could have again rendered the agency's assessments unreliable.

- As previously discussed, effective testing is an essential component of any project that includes developing systems. To be effectively managed, testing should be planned and conducted in a structured and disciplined fashion. Beginning the test planning process in the early stages of a project life cycle can reduce rework later. Early test planning in coordination with requirements development can provide

[8]GAO-09-529.

major benefits. For example, planning for test activities during the development of requirements may reduce the number of defects identified later and the costs related to requirements rework or change requests. OPM's need to compress its testing schedule and conduct tests concurrently, as we reported in January 2008, illustrates the importance of planning test activities early in a project's life cycle. However, at the time of our April 2009 report, the agency had not begun to plan test activities in coordination with developing its requirements for the system it was planning at that time. Consequently, OPM increased the risk that it would again deploy a system that did not satisfy user expectations and meet requirements.

- Project management principles and effective practices emphasize the importance of having a plan that, among other things, incorporates all the critical areas of system development and is to be used as a means of determining what needs to be done, by whom, and when. Although OPM had developed a variety of informal documents and briefing slides that described retirement modernization activities, the agency did not have a complete plan that described how the program would proceed in the wake of its decision to terminate the system contract. As a result, we concluded that until the agency completed and used a plan that could guide its efforts, it would not be properly positioned to move forward with its restructured retirement modernization initiative.

- Office of Management and Budget and GAO guidance calls for agencies to ensure effective oversight of IT projects throughout all life-cycle phases. Critical to effective oversight are investment management boards made up of key executives who regularly track the progress of IT projects such as system acquisitions or modernizations. OPM's Investment Review Board was established to ensure that major investments are on track by reviewing their progress and determining appropriate actions when investments encounter challenges. Despite meeting regularly and being provided with information that indicated problems with the retirement modernization, the board did not ensure that retirement modernization investments were on track, nor did it determine appropriate actions for course correction when needed. For example, from January 2007 to August 2008, the board met and was presented with reports that described problems the retirement modernization program was facing, such as the lack of an integrated master schedule and earned value data that did not reflect the "reality or current status" of the program. However, meeting minutes indicated that no discussion or action was taken to address these problems. According to a member of the

board, OPM guidance regarding how the board is to communicate recommendations and needed corrective actions for investments it is responsible for overseeing had not been established. Without a fully functioning oversight body, OPM could not monitor the retirement modernization and make the course corrections that effective boards are intended to provide.

Our April 2009 report made new recommendations that OPM address the weaknesses in the retirement modernization project that we identified. Although the agency began taking steps to address them, the recommendations were overtaken by the agency's decision in February 2011 to terminate the retirement modernization project.

In November 2011, agency officials, including the Chief Information Officer, Chief Operating Officer, and Associate Director for Retirement Services, told us that OPM does not plan to initiate another large-scale effort to modernize the retirement process. Rather, the officials said the agency intends to take targeted steps to improve retirement processing that will include

- hiring and training approximately 100 new staff to help improve the timeliness of processing retirement applications and responding to retirement claims;
- demonstrating the capability to automate retirement applications;
- working with other agencies to improve the quality of electronic data they transmit to OPM for use in retirement processing; and
- improving OPM's retirement services website to allow enhanced communication.

Under this approach, OPM does not currently have plans to modernize the existing, antiquated retirement systems that the agency has long identified as necessary to accomplishing retirement modernization and improving the timeliness and accuracy of benefit payments.

In summary, despite OPM's recognition of the need to improve the timeliness and accuracy of retirement processing, the agency has thus far been unsuccessful in several attempts to develop the capabilities it has long sought. For over two decades, the agency's retirement modernization efforts have been plagued by weaknesses in management

capabilities that are critical to the success of such endeavors. Among the management disciplines the agency has struggled with are project management, risk management, organizational change management, cost estimating, system testing, progress reporting, planning, and oversight. Even though the agency is now considering only modest efforts to improve retirement processing, the development and institutionalization of these management capabilities is key to the success of any future retirement modernization or other IT initiative that OPM undertakes.

Mr. Chairman, this concludes my statement today. I would be pleased to answer any questions that you or other members of the Subcommittee may have at this time.

GAO Contact and Acknowledgments

If you have any questions concerning this statement, please contact Valerie C. Melvin, Director, Information Management and Technology Resources Issues, at (202) 512-6304 or melvinv@gao.gov. Other individuals who made key contributions include Mark T. Bird, Assistant Director; Larry E. Crosland; Lee A. McCracken; Teresa M. Neven; and Charles E. Youman.

Mr. ROSS. Thank you, Ms. Melvin.

Mr. Manzo, you are recognized for 5 minutes for an opening.

STATEMENT OF PATRICK MANZO

Mr. MANZO. Chairman Ross, Ranking Member Lynch, and members of the subcommittee, thank you for the opportunity to address the quality and indisputable value that companies like Monster bring to the online recruiting process.

My name is Patrick Manzo. With me is my colleague, Mark Conway, Monster's chief information officer.

Our national unemployment rate is 9 percent. In certain regions and among veterans, that number is significantly higher. Putting unemployed Americans back to work is our number one national priority. To meet the challenge, we must create jobs and we must fill them with the right people.

Even today many jobs in both the public and private sectors go unfilled month after month. As you evaluate the Federal Government's hiring system and its capability, do so by comparison with the market. Best reach services reside in the public sector where competitive pressure stimulates innovation and the cost of creating new technology is spread over a broad customer base. This is certainly the case with our company.

Over the last several years, we have invested hundreds of millions of dollars to bring to market significant new technology and to streamline the hiring process. Most employers conduct the bulk of their recruiting activity online, leveraging the reach, tools and efficiency that the Internet offers.

Monster employs over 2,000 people in the United States, we pioneered the business of digital recruiting in 1994, and today, we are the only online recruitment provider able to serve customers on a truly global basis. Our flagship site serves millions of job seekers and tens of thousands of employers monthly with the most advanced set of tools in the industry. Every month job seekers conduct more than 100 million job searches, view more than 70 million jobs and post hundreds of thousands of resumes.

An enterprise class online recruiting system like Monster's must have three key attributes: broad reach, precision search and a robust infrastructure. I will speak to each.

Reach is the ability to address and engage the right audience at the right time. Every month, the Monster brand reaches a significant portion of the U.S. Internet population and is shown billions of times across our networks and those of our partners. It is no accident. We invest in search engine optimization and search engine marketing to extend our reach to key search engines where many job seekers begin their search.

We have developed Apple IOS and android mobile device applications. We have created technology that allows us to syndicate a job posting all over the Web thereby reaching passive candidates who may not be actively seeking a new position or visiting job works.

We recently launched Beknown our professional network on Facebook that allows users to connect with their professional contacts, grow their network and discover new career opportunities.

Reach is about achieving depth and breadth of all human diversity. For employers, reach broadens the talent pool. For seekers,

greater volume and diversity of job postings provides an improved chance of finding that next great opportunity. Without competent search, however, this all adds up to a larger haystack.

Search is the paramount virtue of any online job resource and is a necessary complement to reach. Most job search engines take an old school approach, searching based on key words. They rely on the skill of the seeker to guess the right key words. Even then, it is likely that thousands of job postings will contain those key words and therefore be a match.

To address these issues we invested over $100 million to launch our new semantic search engine. We have taught our search engine to understand the content and context of search queries. Rather than searching for key words, semantic search understands the meaning or concepts behind the words and the context in which they appear. The benefit is more accurate, precise results, a better ability to find the right candidate or job, the needle, if you will, in the haystack.

The modern job search infrastructure must be stable, secure and interoperate with other technology. Today's job seekers expect site availability 24 hours a day, 7 days a week. To provide this capability, Monster has three redundant data centers allowing the stop rate at 99.999 percent up time or five nines availability.

Security is a key focus for Monster and an area where we have made significant investments. The security of any system is the function of the measures in place to protect the data, not whether that data is located on a government computer system or a commercial computer system.

No security solution is bullet proof but we believe that our system of layered defenses, sophisticated technical measures, but also human analysts provides industry leading security. Our customers use many different technologies to access our services. To accommodate this integration, we offer a robust set of tools that tens of thousands of customers use on a monthly basis to conduct millions of monthly transactions with Monster.

To meet the challenges facing our country, our government must have the right tools to hire citizens with the right skills for government service. There is significant innovation underway in the marketplace. We must ensure that the Federal Government is leveraging the solutions that provide the best possible reach, search capability and site infrastructure to acquire the best talent.

Thank you and I would be happy to answer any of your questions.

[The prepared statement of Mr. Manzo follows:]

Testimony of Patrick Manzo, Executive Vice President, Monster Worldwide, Inc.
and
Mark Conway, Chief Information Officer, Monster Worldwide, Inc.

Before the United States House of Representatives
Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, U.S. Postal Service, and Labor Policy

Hearing on "Back to the Basics: Is OPM Meeting its Mission?"

Tuesday, November 15th, 2011, 9:30 a.m.

2154 Rayburn House Office Building, Washington, DC 20515

I. Introduction

Our national unemployment rate currently stands at nine percent, on average; in certain regions, it is significantly higher. Putting unemployed and underemployed Americans back to work is our number one national priority.

To meet the challenge of putting America back to work, we must address two key elements. First, we must create jobs. There are many tasks here: removing regulatory barriers, reforming tax policy, ensuring the free flow of capital, and instilling confidence in the public - consumers, as well as the small and large businesses that create jobs in our economy. Second, we must fill these jobs - by identifying the right people, with the right skills, in the right locations. Even today, with unemployment as high as it is, many critical positions in both the public and private sectors go unfilled, month after month.

As this hearing is specifically concerned with the federal government's online hiring system, USAJOBS, we will specifically comment on federal hiring challenges. We are qualified to do so because, as you know, from 2003 through October 7 of this year, Monster Worldwide, Inc. (Monster) managed USAJOBS for the Office of Personnel Management (OPM).

By virtue of that experience, we know that federal agencies are facing a number of challenges in human capital management. The current recession has obscured the fact that there is an emerging shortage of talent in the United States. Declining birth rates have resulted in a drop-off in incremental additions to the workforce.

That, combined with the continuing retirement of baby boomers has created the perfect storm, referenced in some cases as the "war for talent."

In addition, the federal hiring process is cumbersome and the time to fill mission critical positions is significantly higher than in the private sector. As the Administration noted when embarking on federal hiring reform in May 2010, the complexity of today's federal hiring process deters many highly qualified individuals from seeking and obtaining jobs in the federal government.

As the "best and brightest" are widely dispersed, recruitment must include a broad range of techniques to reach these populations. In order to succeed in meeting its mission to serve the American public, the federal hiring apparatus must use innovative tools and technologies to hire tomorrow's federal workforce. As Congress evaluates the ability of the federal government's hiring system to meet the challenge, we would urge it do so by comparison with what is available in the intensely competitive marketplace. The American public trusts the government to deliver quality services, and they also trust it to use the best available resources. The federal government does many things well but in many cases, best of breed services are in the private sector, where competitive pressures stimulate innovation and the cost of developing new technologies is spread over a broad customer base. This is certainly the case with our company - over the last several years, we have invested hundreds of millions of dollars to bring significant new technology to the marketplace in order to streamline the hiring process - and help employers and job seekers make the best matches in the least amount of time.

Accordingly, recruiting, the process by which employers fill open positions, and job search, the method whereby job seekers identify new employment opportunities, are critical. In today's recruiting landscape, most employers - from large companies to small and medium businesses to the public sector - conduct the bulk of their job advertising and recruiting activity online, leveraging the reach, tools and efficiency that the internet and modern online tools have to offer.

At base, the process is relatively simple. It has two sides. On the demand side, employers use online job boards and tools to post open positions. Job seekers can then apply to these open positions, often submitting a resume or its digital equivalent. On the supply side, job seekers can also advertise their skills and availability - by posting an online resume or profile. There are many ways to advertise, to search, and to match - but this is the core of the process, and it is similar for both private and public sector hiring.

Despite the simplicity of the process, sophisticated tools are required to succeed in the modern economy. Online recruiting occupies a space at the convergence of social and technological change. It is changing rapidly under the influence of new technologies - mobile and social among them.

Nevertheless, it can still be evaluated on a few simple parameters. Those parameters are reach, search and match, and quality of site infrastructure. Reach is the ability to address and engage the right audience, anywhere on the internet, at the right time. Search and match - the most important of the three - is the ability to find the right job or job candidate - the needle - in a massive haystack of job postings and seekers. Site infrastructure should be evaluated in terms of stability, scalability, security, and interoperability with other human resources technology in use by employers, such as applicant tracking systems. We will discuss each in more detail.

II. About Monster

Monster is the world leader in connecting people to job opportunities. We pioneered the business of digital recruiting in 1994, and today we are the only online recruitment provider able to service customers on a truly global basis. Monster has an international reach with a presence in approximately 55 countries around the world.

Monster is listed on the New York Stock Exchange and employs over two thousand people in the United States, principally located in Maynard, MA; Cambridge, MA; Florence, SC; McLean, VA; New York, NY; San Francisco, CA; Mountain View, CA; Chicago, IL; and Milwaukee, WI.

Monster's flagship site, Monster.com, serves millions of job seekers and tens of thousands of employers with the most advanced set of tools in the industry. Every month, on average, job seekers conduct more than 100 million job searches, view more than 70 million jobs, and add hundreds of thousands of new resumes to our U.S. database.

Our Monster Government Solutions ("MGS") division provides the federal government with tools and resources to succeed in building and growing a highly talented workforce to compete in today's competitive marketplace. MGS also works with state and local governments to create innovative, customized solutions that help put Americans back to work. A key example is OhioMeansJobs, created in cooperation with the state of Ohio, which offers a comprehensive set of recruitment

tools to employers and job seekers in Ohio. On the state and local level, MGS is applying next-generation technology to help get Americans back to work through talent attraction, online career communities and real-time labor intelligence so governments know where to put their worker retraining dollars.

On November 8, 2011, the Veterans Administration launched their new program, VA for Vets, for which Monster and its Military.com division is a proud subcontractor. Veterans face two barriers to finding careers in the federal government: first, translating and marketing the skills and experience gained during military service into language that civilian employers can understand; and second, navigating the federal hiring process. From military skills translation and professional development to career counseling and dynamic job searches, VA for Vets offers a high tech/high touch solution tailored to the career needs of each veteran. VA for Vets skills translator, resume builder and job search capabilities are powered by Monster technology.

III. Critical Attributes of an Online Recruitment Solution

There are many available solutions to today's recruiting challenges. Each of them, however, must address several core competencies. An enterprise-class online recruiting solution must have broad reach, precisely and quickly search massive volumes of information in order to identify relevant job seekers and job opportunities, and have a robust, scalable, secure, and interoperable site infrastructure. We will address each of these in the context of some of the products and services in which Monster has invested hundreds of millions of dollars over the past several years to bring to market and to compete in a crowded and fast-moving marketplace.

a. Reach

Reach is the ability to address and engage the right audience, anywhere on the internet, at the right time. Monster.com reaches more than 14 million unique visitors each month in the United States[1]. Every month, the Monster brand reaches a significant portion of the U.S. internet population and is shown billions of times across Monster and our partner networks.

[1] Based on October, 2011 comScore report.

We continually optimize our site to ensure the job seeker experience is a positive and engaging experience that attracts job seekers and provides the tools and resources to find their next job or career step. Job seekers are our greatest asset - we wish to attract, engage, retain and give them reason to return to our site for all of their career needs.

Our presence, however, goes beyond Monster.com. Monster has implemented and continually evolves multiple approaches to reaching users across the web to engage and identify the right talent wherever they are. Monster has invested in search engine optimization and search engine marketing to extend our reach to key search engines, a primary starting point for many job seekers. For the growing audience using smartphones or tablet computers, Monster has developed Apple iOS and Google Android mobile applications to extend the core site functionality to this fast-growing engagement channel. We have extended our reach with presence and integration to social networking platforms where online users spend a significant amount of time. Monster has also developed broad distribution and targeting tools - chief among them Monster's Career Ad Network - to reach and engage the "passive" job seeker wherever they spend their time online (blogging, shopping, viewing sports/news, social networking, etc.).

i. Search Engine Optimization and Search Engine Marketing

Many job seekers begin their job search on a search engine such as Google, Yahoo! or Bing. Search engine optimization, or SEO, is a process by which Monster designs its web pages to improve frequency and placement in search results on various search engines. Monster enhances its SEO strategy using dynamic landing pages that contain targeted content. Monster also invests in search engine marketing, or SEM, which ensures optimal placement of paid online ads with search engines targeting specific groups of seekers.

ii. Mobile Applications

We live in a mobile society and there are fundamentally different ways that people seek information. Monster is staying ahead of this movement with mobile apps on Apple iPhone, iPad and Google Android devices. This is an area of substantial growth. Globally, Monster received more than 19 million job views from 4.3 million visits via mobile devices during the first half of 2011. Seekers spend an average of seven minutes on Monster via those portable devices. Mobile

distribution allows Monster customers to have their job vacancies available in every mobile consumer's pocket.

iii. Social Networking

Social media and social networks are important aspects to achieving recruiting success. In response to customer demand to extend reach to job seekers, Monster has created comprehensive social recruiting solutions, consisting of bundled products that provide a strong presence on leading social media sites. By building a presence on these sites, employers can further extend their recruitment reach to millions of job seekers.

Just 3 months ago, Monster announced Beknown, its professional networking app for Facebook. BeKnown allows users to seamlessly identify and connect with friends and professional contacts from multiple sources, grow their professional network, enhance their online professional identity and discover enriching career opportunities.

iv. Career Ad Network

Finding the right talent requires moving beyond the active job seeker population. Large segments of today's job seeker population may not frequent job boards or classified ads in newspapers. However they are likely internet users who use search engines, entertainment and sports sites, news sites, and social networks, to name a few.

Monster's Career Ad Network syndicates relevant job postings to passive job seekers on the web. In essence, Monster can take a job posting, which was once limited to a job board, and show it all over the web - concentrating in places where our technology tells us that viable candidates are likely to see those job openings.

This is not a "broadcast technology", in that Career Ad Network targets users, not sites. It can reach key candidates among the huge, diverse and multi-generational population of web users that may not be actively looking for a change but might consider a new challenge if it was presented to them in the right context, with the right messaging. The Monster Career Ad Network reaches on average more than 70 million monthly unique visitors in the United States.

b. Search

We have previously discussed the importance of reach. Reach is about achieving depth and breadth; volume and diversity. From the employer perspective, reach is important as it deepens and broadens the talent pool. From the seeker perspective, a greater volume and diversity of job postings provides an improved chance of finding that next great opportunity.

Searching - and matching - complements reach and is about sorting through a deep and broad set of information to find the right candidate, or the right job opportunity. Search is the paramount virtue of any online job resource.

Most job search engines take a traditional approach: searching based on keywords, combined with a set of filters - date, location and industry, for example - to further narrow results. This approach is imprecise, however, because for any given search, thousands of job postings will include the same keywords. Further, keyword searches rely on the skill of the job seeker in identifying the keywords that the employer placed in the job advertisement. If they do not match, the posting will not be returned in the search results.

From the recruiter perspective searching a database of resumes, important information such as years of experience or elapsed time cannot be measured with traditional search. Because of these limitations, recruiters may spend hours searching databases to create a short list of candidates.

To address these issues, Monster has invested over $100 million to bring a semantic search engine - that we call 6Sense - to the market. This technology - able to search both job postings and resume databases - represents an entirely new approach to the problem of searching large data sets. In essence, Monster has taught our search engine how to understand the content and context of search queries - what they mean. This allows the search results to better match the intent of the search. Rather than searching for keywords, semantic search understands the meaning or concepts behind words, the relationship between concepts, and the context in which they appear.

6Sense technology delivers very specific benefits to job seekers, particularly in the highly competitive labor market. Using 6Sense job search, job postings are easier to find. Seekers using 6Sense job search generally view and apply to more jobs per visit than those using Monster's "Classic" keyword-based search. 6Sense eliminates the frustration and clutter that is prevalent in keyword-based job search

and allows seekers to focus on positions that are most relevant to their skills and experience. 6Sense removes constraints imposed by unfamiliarity with an industry or job-specific phrases and keywords.

6Sense technology's precision search displays relevant job postings at the top of the list of job search results even if the posting is several days old. With keyword-based search technology, newer jobs that simply have a keyword match push up to the top, crowding out listings that are more relevant. This means employers miss the opportunity to have their job displayed to the right candidate after just a few days, and the candidate misses ever seeing the job opportunity.

c. Site Infrastructure

i. Stability and Scalability

A highly resilient and fault tolerant application architecture is critical to a successful online recruiting resource. Today's job seekers expect availability 24 hours a day, seven days a week, and 365 days a year. If it is not up, it cannot be used to post, search or find jobs or candidates. An enterprise class online recruiting solution must be able to handle peaks of activity, and have adequate resilience to handle hardware failures without impact to performance or availability.

To provide this capability, Monster has three redundant data centers with backup power generation and multiple ISP connections. Each data center employs load-balanced clusters of web, application, and database servers to provide redundancy and scalability. Individual machines can be added or removed as demand increases or to diagnose issues. Web and application servers in each data center are active and communicate with database servers in the active data center. The active database servers use SAN replication to move data to their passive counterparts in their failover data center.

Monster's architecture is designed to perform instant failover. Monster's load balanced cluster design ensures that the failure of any single web server does not require failover. If a server becomes unavailable, the load balancer instantly responds and stops directing traffic to it. The load from the disabled server is spread across the other servers that run throughout the other data centers. Database servers are also clustered so if one fails, the remaining local cluster members will take over. In the event a database cluster fails, warm secondary assets are activated in the appropriate failover data center. If the entire primary data center were to

fail, the mirror site, with its hot web servers and warm database servers, can quickly be reconfigured and allow the Web site to continue normal operation.

Monster's primary data center is in Bedford, MA and the others are located in Maynard, MA and South Boston, MA.

The clustered, load balanced approach allows for the addition of new servers without interrupting service. This allows the system to handle an increased load. For burst traffic requirements, the system is configured to support at least twice the average measured demand. This architecture, coupled with our local and geographic redundancy allows Monster to operate at 99.999% or "five nines" availability (excluding scheduled maintenance). From a seeker or employer perspective, this means that Monster sites and services will be available, on demand, whenever our customers choose to visit us.

ii. Security

Proper security practices are an essential component in managing public Web sites. This is an area of particular concern for Monster as a key element of the trust we seek to earn from our job seekers and employer customers, and an area where we have made significant investments. The security of any data system is a function of the tools and processes in place to protect that data from unauthorized access. No security solution is foolproof, but we believe that our system of layered defenses provides industry-leading security.

Our solution combines technical tools and human intelligence. Risk-based software continually monitors site traffic and usage and automatically reacts to unusual activity. Blocks, either permanent or temporary, are imposed on an IP address, or user account, based on the specific monitor and threshold that has been reached. Monster's global fraud team - which operates around the clock and conducts investigations in 14 different languages - is alerted by the monitoring software in order to quickly investigate and address the root cause.

iii. Interoperability

Any successful online tool must integrate seamlessly with the back-end technologies used by many employers to manage their human resource activity. Monster has a tremendously powerful and robust set of tools for data integration and use of Monster services, including job postings, search, and applicant integration. Tens of thousands of customers actively use these tools to conduct

millions of transactions with Monster on a monthly basis. Monster provides capabilities for customers to integrate their ATS systems into Monster's sites and tools to allow employers to use their internal tools but still leverage Monster to advertise postings and search/manage seeker resumes.

Monster publishes the specification for system interaction and data sharing requirements publicly at http://schemas.monster.com. The requirements include XML schemas, XML examples, documentation, sample code, release notes, calendar, and other resources to integrate successfully with Monster. Requirements are extended and communicated to all integrated partners as new features are added to Monster.

IV. Closing

This is rightfully a topic that is important to our government, our economy and the American public. In order to meet the challenges facing our country in the years ahead, the federal government must have the tools at its disposal to identify and hire citizens with the right skills and experience for government service. Fortunately, there is an extremely competitive marketplace for those tools, and there is significant innovation underway in the market. In reviewing and evaluating its online recruiting solutions the federal government needs to ensure that those solutions are providing the reach, the search and match capability, and the infrastructure to attract and hire the best talent.

The Office of Personnel Management would do well to leverage those best of breed tools available in the private sector to meet its mission of hiring the best possible federal workforce in an efficient and cost effective manner.

Mr. ROSS. Thank you, Mr. Manzo.

I will recognize myself for 5 minutes of questions.

Mr. Manzo, you heard Director Berry testify here earlier and my concern was with the 5-year contract that existed between Monster and OPM prior to USA Jobs 3.0. My biggest concern was flexibility. It appeared as though, according to Director Berry, that there was no flexibility to make modifications or to adapt to any changes. Is that your understanding?

Mr. MANZO. That is not my understanding. I would like to ask my colleague to speak to the details of that.

Mr. ROSS. Please, Mr. Conway.

Mr. CONWAY. During the course of the contract, we made numerous enhancements to USA Jobs working in conjunction with OPM. One example is we redesigned and relaunched the site in January 2010 with a new look and feel, a new functionality for USA Jobs working in conjunction with OPM.

Mr. ROSS. That was done as a renegotiation to the original contract?

Mr. CONWAY. That work was part of the base contract.

Mr. ROSS. So there was no change in cost to OPM as a result of that?

Mr. CONWAY. No.

Mr. ROSS. It was all part and parcel of the intended agreement?

Mr. CONWAY. Correct.

Mr. ROSS. Mr. Manzo, do you have a market research department?

Mr. MANZO. We do have a research department.

Mr. ROSS. That would want to know what the end users are seeking and how best to perform the service they are seeking?

Mr. MANZO. We do a lot of work in this regard. I can tell you that we do regular market surveys of our customers, both employers and job seekers.

Mr. ROSS. That is important, isn't it?

Mr. MANZO. That is how we know if we are doing a good job or not.

Mr. ROSS. With regard to whether the resources you are using are adequate, I would assume you have a research and development department as well?

Mr. MANZO. We have a Product and Technology Division that, as I mentioned previously, we spend several hundred million dollars a year in order to develop and bring the market new products and to upgrade our site infrastructure.

Mr. ROSS. You can handle over, how many did you say, 100 million applicants?

Mr. MANZO. Every month, we will host about 14 or 15 million unique visitors to our site. Those folks will conduct about 100 million searches, view about 70 million jobs and post hundreds of thousands of resumes. These are monthly averages.

Mr. ROSS. Would it be safe to say that Monster.com is the largest human resource applicant search engine out there?

Mr. MANZO. We believe, if you look at this from a global perspective, that we are the largest and most significant in the world.

Mr. ROSS. Leading up to the change to USA Jobs 3.0, Monster was providing this service for OPM. Were there any problems at

that time with the service you were providing, that you are aware of?

Mr. MANZO. If you are asking during the period, I think we overall provided a service that served the Federal Government's needs. We are proud of the job that we did.

Mr. ROSS. You raised security as one of your significant points. I think the security issues that have been raised by Members up here are you may be susceptible to hacking whereas the Federal Government isn't, which I think is not necessarily correct. I also understand that security breaches that occurred with Monster were self reported and self corrected, is that correct?

Mr. MANZO. Mr. Chairman, I am glad you raised the issue. Director Berry is correct that those matters are matters of public record. They are matters of public record in large part because we did a lot to put them into the public eye. In each of those cases, we proactively reached out to Federal Government agencies, in this case, the Federal Trade Commission. We also spoke to law enforcement agencies, relevant State Attorneys General and we also spoke proactively to our customers because we felt that it was important and part of our obligation.

Security is important and I think we need to think about it and keep it in the proper context. Just because data is on a government computer system does not mean that it is safer than on a commercial computer system. I think there have been lots of public breaches of government computer systems and underscore that point.

What makes data safe or unsafe are the measures put in place to protect that. We believe that a layered defense system is critical and that involves both IT security steps, things like encryption, making sure you using secure coding and development practices.

Mr. ROSS. Your security has taken great steps since these initial breaches?

Mr. MANZO. I think we have learned from our mistakes. I think those events, however painful, have helped us to become better and understand more about the environment. It is something in which we significantly invest and I think we advance our skills in this area on a regular basis.

Mr. ROSS. I have one last question to you. Do you believe that Monster.com can provide the service that is being demanded and expected by those applying for Federal Government employment better than and within budget of OPM's current USA Jobs 3.0?

Mr. MANZO. We do believe that.

Mr. ROSS. Thank you.

Ms. Melvin, with regard to the retirement system, what steps should OPM take at this point? They have discontinued their $100 million failure, three and a half claims per day is absolutely unacceptable. Do you have any recommendations they initially need to take to try to automate this and reach a point where they can get caught up and not have to worry about being so backlogged and inefficient?

Ms. MELVIN. First of all, I would start by saying I think it was actually a good step for OPM to step away from the modernization effort that it was undertaking. After 20 plus years, it obviously was

not working and obviously indicated that there were underlying deficiencies in the approach they were taking.

Our biggest concern has been that OPM lacks an overall management structure, if you will, IT management capability in terms of the fundamental tools or mechanisms for really planning and managing.

In the first panel, one of the points of discussion was about the need for OPM to develop a plan for moving forward. I think that is a critical step they have to take, but in saying they have to develop a plan, I think it is important that they also look at the mistakes of the past efforts they have had.

It is important to really be able to draw from those experiences and incorporate that into whatever planning they undertake. It is not just about planning the system itself and the different components that go into it. It is about understanding what their overall needs are. A large part of that is in terms of the IT capability they have from a human capital standpoint to really not only lead, but to undertake that type of initiative going forward.

Mr. ROSS. Thank you.

I see my time is up. I will now recognize the gentleman from Massachusetts, the ranking member, Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

I want to welcome Mr. Manzo. I understand he is a constituent of mine. We are doing redistricting right now but at 1 p.m., Walpole will be back in my district.

Mr. MANZO. I am pleased to hear that.

Mr. LYNCH. That might not be a good thing from your standpoint based on my concern around these contracts, but I certainly appreciate you and all our witnesses being here.

I have information and data on the Federal Employee Retirement System and the problems with the network with regard to that program. The USA Jobs Web site has been live for 30 days and my Inspector General, Ms. Melvin and Mr. McFarland, have not had a chance to review that.

In sort of an equal opportunity criticism, that program has been messed up since I think Ms. Melvin you said this was a 20 year effort, so that would have gone back to the first George Bush administration right through Clinton, through George W. Bush and continuing today with President Obama. There is equal opportunity for criticism and that Federal Employee Retirement System has not worked properly, so it is not a partisan criticism of Mr. Berry who appeared earlier.

Mr. McFarland, I read with great interest your testimony today. I wanted to talk about these folks that are deceased for 20 or 30 years and are still getting annuity checks, their loved ones are. As Mr. Chairman has pointed out, at times this is about $120 million a year but many of those are late notices. A person will pass away and there will still be a few checks sent out. It might take 60 to 90 days for a person to notify the retirement system that there has been a death in the family. Most of that gets back but you still have a fairly significant number of people that are forging signatures for decades.

You filed a report and I think it has a lot of great points. I want to ask you about some of those points. To stop these people from

committing fraud against the retirement system by collecting the checks of their deceased loved ones, you recommended computer matching with Social Security's death master file. If they are not getting their social security and we know they are deceased, we ought to be able to cross reference that with the Federal Employee Retirement System. How is that working right now?

Mr. MCFARLAND. Right now, the process is ongoing. It has been for quite a while as far as weekly batch checks.

Mr. LYNCH. Can the chairman and I get a report on how we are doing on that? Because I want to know how many folks we uncover by the cross matching process with Social Security's death file.

Mr. MCFARLAND. Sure we can.

Mr. LYNCH. You also recommend increasing contact which I guess you do a random contact process with a number of recipients to try to elicit responses to find out who is alive and who isn't, who is legally receiving checks and who isn't. How is that process going?

Mr. MCFARLAND. We recommended the over 90 process and the over 100 process.

Mr. LYNCH. These are recipients who are over 90 or 100?

Mr. MCFARLAND. Yes, that is correct. That paid good dividends for us.

Mr. LYNCH. Likely suspects, I guess.

Mr. MCFARLAND. Pardon me?

Mr. LYNCH. They are likely suspects, over 90 or 100.

Mr. MCFARLAND. The determination is to see if they are still living. That way we can get right to the heart of the matter.

Mr. LYNCH. Can the chairman and I get a report on that as well?

Mr. MCFARLAND. Absolutely.

Mr. LYNCH. That seems like something that might bear fruit.

You also recommended an analysis of undeliverable correspondence. You mail out something and it comes back, a 1099, is that what you are doing?

Mr. MCFARLAND. Yes, 1099Rs, yes. When they come back, right now there is a backlog of 33,000 that have been returned. The process to go through that is not being attained.

Mr. LYNCH. Is there any way we could use some resources from the Post Office to sort of confirm that? Because 33,000 is a lot to go through.

Mr. MCFARLAND. It is a lot to go through but I don't know that the Post Office is the answer in this particular case. I think clearly the problem lies with the process in OPM.

Mr. LYNCH. Once we don't get a response, once the mail comes back, we don't suspend, we just keep paying them?

Mr. MCFARLAND. Well, no. Sometimes they are suspended if we have enough information but the first time back, if we receive a letter that comes back for that reason, then it is in a stockpile of 33,000.

Mr. LYNCH. Maybe we have to expedite the process for cutting off those folks.

The last recommendation you made is cross checking with these financial institutions where some of these checks are being deposited.

Mr. MCFARLAND. Yes.

Mr. LYNCH. How is that going? Are there any roadblocks or obstructions to getting back that money or uncovering fraud?

Mr. MCFARLAND. There is no particular road block to getting it back, let me just explain something that might give a very good picture. The last report we did was intended.

Mr. LYNCH. This was 2011?

Mr. MCFARLAND. Yes. It was really intended to manage expectations. By that, I mean it was our way of telling the Director that it is time to stop the piecemeal approach to this and to obtain the proper amount of funding and subject matter experts, put them in their own office and let them do this job.

What has happened for years is there will be an effort on the program's part to find this money, but it lacks so much because their impetus is to get the check out which is fine, that is a big part of the job, but there is very little inclination to work busily to recover the funds. It has to be a new program area that is dedicated to that. That has come to us after so many attempts to piecemeal this thing together and it just isn't working.

Mr. LYNCH. Mr. McFarland, thank you very much for your hard work and your testimony and I appreciate the indulgence of the chairman. Thank you.

Mr. ROSS. I now recognize the gentleman from Michigan, home of the Detroit Tigers, Mr. Walberg, and I must admit, the Lions, even with the last couple of games.

Mr. WALBERG. Thank you, Mr. Chairman.

Following up on the last few statements of Director Berry, I would like to ask for comments from Mr. McFarland as well as Ms. Melvin.

Director Berry stated that all metrics are moving in the right direction for USA Jobs 3.0. Do you agree, Mr. McFarland?

Mr. MCFARLAND. We haven't had time to review the implementation. We are planning to do penetration testing, an audit group we are bringing, a specialized group to do this, and then we are going to do systems development life cycle review by ourselves. Once we do that, we can answer your question, but right now, I cannot.

Mr. WALBERG. Ms. Melvin, are the metrics going in the right direction?

Ms. MELVIN. We too have not looked at USA Jobs. I would say, however, that metrics are extremely important and it will be critical that there be metrics in place such as Mr. McFarland has indicated, but I couldn't tell you at this point how effective the ones they have are.

I can say, however, it would be extremely important for them to articulate specific metrics and be able to report on the success of those metrics.

Mr. WALBERG. Mr. Manzo, any comments on that from your professional position?

Mr. MANZO. I am not in a position to assess or verify any metrics that OPM may have related to the performance of USA Jobs. I cannot comment.

Mr. WALBERG. Let me ask you then, Mr. Manzo or Mr. Conway, in your professional opinions, what should ideal private/public partnerships look like relating to the Federal Government IT?

Mr. MANZO. I will take a stab at that. I think it is clear that best of reach services reside in many cases, particularly in technical areas, in the private marketplace. That is because there is significant commercial competition, much broader customer bases over which to spread the cost of developing these new technologies.

What the government needs to do is figure out what is the best technology and how do we apply this technology to get the best results for the lowest cost. Director Berry made the point that there are certain things that are inherently governmental. We don't think that hosting the Federal Government's hiring system falls into that category. We think the private sector is imminently well suited to do this job and do this job cost effectively, efficiently and to provide significant continuing value going forward.

In terms of developing one of these systems and in terms of looking at the cost, we need to look not only at the cost to set it up and run it, we need to look at the continuing research and development costs to make sure that system keeps pace with development and new technologies that are available.

Mr. WALBERG. That is where the private sector comes in best?

Mr. MANZO. That would be our belief, yes.

Mr. WALBERG. Ms. Melvin, you state in your testimony that OPM agreed with your recommendations on the retirement system. Yet they did not implement those recommendations. Why didn't they?

Ms. MELVIN. We actually had about 19 recommendations and they were specific to the retirement system modernization. In fact, they began to take actions. They agreed with all those recommendations and did begin to take some steps toward addressing them. For example, in the 2005 timeframe of our study, we noted some concerns with, for example, security planning and requirements. When we came back in 2008, we saw they had taken some actions and that is one example.

However, the bigger concern we have is that the types of recommendations we made while they were driven by our work looking at the retirement system's modernization and are recommendations that apply more broadly. I mentioned in my previous statement that it is important that they have underlying IT management capabilities and controls in place. Across the 19 or so recommendations we have made, they constitute fundamental aspects of having strong IT management.

What we did not see was the capability of the agency to move in the direction of actually getting a robust and institutionalized management capability in place that would incorporate the various aspects of IT management that we noted.

Mr. WALBERG. Again, any reason why they didn't move fully in the direction that you recommended?

Ms. MELVIN. That would actually be a question better posed to OPM, but what I can say from our work was that we saw them trying. We did not see, however, necessarily the capability there in terms of really having a strong understanding perhaps of what some of the deficiencies were, the implications or significance of the deficiencies.

Mr. WALBERG. I would assume that capability still isn't there?

Ms. MELVIN. We haven't been in since 2009 to look at it, but across our followup work, we have seen they have attempted to

make some changes. For example, when we were doing our work in the 2008 timeframe and before, the chief information officer was not a part of the overall efforts being made to put the retirement system's modernization in place. We saw that individual standing on the outside, so to speak, of the process that was being undertaken.

When we were there in 2009, however, the current CIO was a more active player. We did see them taking some steps to have their oversight body more actively involved. I would be cautious because we have not looked and I would not want to imply that they have a full capability at this point to move forward based on our past work.

Mr. WALBERG. Thank you. I see my time has expired.

Mr. ROSS. Thank you, Mr. Walberg.

I will now recognize the gentleman from Illinois, Mr. Davis, for 5 minutes.

Mr. DAVIS. Thank you very much, Mr. Chairman.

As a result of budget cuts, many agencies have announced plans to offer early retirement and buyouts to employees including the Postal Service, NASA, the Internal Revenue Service, the Government Accountability Office and the Department of Defense and its subcomponents such as the Army and the Air Force.

Mr. Tamburrino, could you tell us how many positions has the Department of Defense offered for early outs and buyouts and how many more early retirements and buyouts does the Department of Defense anticipate offering in the next year?

Mr. TAMBURRINO. Thank you for that question. I will have to get back to you with the exact numbers. All the components have the authority. We can provide for the record what the actual take rate is to date for fiscal year 2011 and what is planned for 2012. Most of our uniformed services are trying to place people as opposed to doing any more draconian action, and offer them as an alternative. We will give you the specific numbers.

Mr. DAVIS. Mr. McFarland and Ms. Melvin, given what we know, what impact do you think the early outs and buyouts would have on OPM's ability to reduce the retirement claims backlog?

Ms. MELVIN. Based on what I heard today, I would say any future increases in the retirement backlog would only stand to continue to make their effort much more difficult in terms of processing the claims they have.

Mr. MCFARLAND. I agree with that.

Mr. DAVIS. Would you think that OPM might need additional resources to handle the workload to clear these up?

Ms. MELVIN. My work has not looked at their programmatic human capital resources. It has focused only on the information technology aspects of what they have done, so I don't have information to really provide a response that I think would be credible.

Mr. DAVIS. Mr. Tamburrino, let me ask you do you think that the agencies themselves should pay for the activity to clear these up or might there be some other way to get the resources?

Mr. TAMBURRINO. We share the concern for the delay in processing retirement. I have suggested to Director Berry some alternatives for how to do this. I look forward to talking with them about that more.

As far as a fee for service, that is not a cost sharing agreement that was foreign to the Department of Defense. It was supported by a customer service agreement as to what we could expect and a level of performance that we could expect. I think the Department would engage in that conversation.

Mr. DAVIS. Thank you, Mr. Chairman. I yield back.

Mr. ROSS. Thank you.

The gentleman from Virginia, Mr. Connolly, is recognized for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Mr. McFarland some might be struck by the fact that the incoming administration in 2009 maybe made a decision more on theological grounds, in-sourcing is good, than on yes, but when we weigh cost benefits, we might come to a different conclusion. Is it fair to say that there was an a priori conviction of the administration coming into office that in-sourcing has a certain preference associated with it, from your point of view.

Mr. MCFARLAND. My point of view would simply be from newspapers and the prior administration obviously wanted to outsource and it appears as if this administration wants to in-source. That is the best I can answer that.

Mr. CONNOLLY. Do you have a point of view as the IG that one is better than the other?

Mr. MCFARLAND. No, sir, I do not.

Mr. CONNOLLY. Would it be fair to say it is actually a false proposition that one is better than the other, that we have to look at the merits?

Mr. MCFARLAND. I think definitely we should look at the merits.

Mr. CONNOLLY. Were there problems with the previous contract with Monster that led the Office of Personnel Management to reevaluate the outsourcing of this contract?

Mr. MCFARLAND. Not that I am aware of as far as the USA Jobs.

Mr. CONNOLLY. Mr. Manzo and Mr. Conway, there were problems that you address, but were there problems cited by OPM when they made the decision to bring the contract inside?

Mr. CONWAY. I am not aware of any problems cited by OPM when the decision was made to bring it inside.

Mr. LYNCH. Would the gentleman yield?

Mr. CONNOLLY. Yes.

Mr. LYNCH. Wasn't there a case where we had a security breach of 1.6 million people, their information being hacked, including about half a million Federal employees?

Mr. CONNOLLY. If I can add, reclaiming my time, Mr. Manzo, that was sort of what I was getting at, and was that not sort of a corruption of data in the sense that it was a mingling of this Federal employee file with something else?

Mr. MANZO. I would be pleased to answer that question. Congressman Lynch, first to respond to your question, yes, as you noted, there was and is a matter of public record that there were security incidents in 2007 and 2009.

Mr. LYNCH. In fairness, I want to say that your company did come forward, did try to correct, did notify the consumer.

Mr. CONNOLLY. I will remind the gentleman he is on my time.

Mr. LYNCH. I yield back.

Mr. MANZO. Yes, those events did happen and I would be happy to go into excruciating detail with you about why that occurred and what we learned from that.

Mr. CONNOLLY. Before you do, Mr. Conway, you just testified to me that you were not aware of any problems.

Mr. CONWAY. To be specific, with regards to execution of the project, delivering functionality, delivering the data and operation of the site, I was not aware of any issues. That was not in reference to any previous data security incidents. As we stated, those were of public record and we were very clear in terms of being forthcoming with those incidents.

Mr. MANZO. Mr. Connolly, I would also add that I don't think we were given any reason when OPM announced.

Mr. CONNOLLY. That is what I was getting to, Mr. Manzo.

Mr. MANZO. It was essentially a black box decision to us.

Mr. CONNOLLY. They didn't cite those past incidents as this is reason for concern?

Mr. MANZO. They did not, to my knowledge, no.

Mr. CONNOLLY. Mr. McFarland.

Mr. MCFARLAND. May I add something? I assume your question, was there a particular problem that influenced this administration?

Mr. CONNOLLY. Yes. Were there performance issues?

Mr. MCFARLAND. Other than what has been mentioned, the two breaches that took place with Monster in 2007 and 2008, the first breach was 126,000 resumes were compromised. By the same token, I don't think any social security numbers were compromised in either 2007 or 2008. My point is I don't know what bearing that had on the decision.

Mr. CONNOLLY. Mr. McFarland, qualitatively, in your professional judgment, what is the difference between this site when it was managed by the private sector and this site now that it is managed in the public sector? Is there a qualitative difference that you have observed?

Mr. MCFARLAND. Certainly not at this point, in a couple of weeks, I haven't observed any, no. I don't know that I would be qualified to answer that if I did study it.

Mr. CONNOLLY. If the chairman would indulge one more?

Mr. ROSS. Without objection.

Mr. CONNOLLY. Mr. Manzo and Mr. Conway, have you been asked or have you offered any technical advice in the transition from Monster managing it to OPM managing it?

Mr. MANZO. Yes, I know that our chief executive officer has spoken to Director Berry on numerous occasions and has made clear to him that we will offer any technical assistance necessary in order to make USA Jobs 3.0 stand up and that transition be successful.

Mr. CONNOLLY. I thank you.

Mr. Chairman, I would end by saying what always bothers me about the subject of in-sourcing and out-sourcing is that there are advocates on both sides who make this more a matter of theology that one is inherently better normatively than the other. I think that is a, false premise and b, a very dubious course for the Federal Government to follow. We ought to look at the merits of the case

in front of us and make an informed and pragmatic decision irrespective of our theological blinders.

With that, I yield back.

Mr. ROSS. Thank you, Mr. Connolly.

That should conclude our panel today. I thank all the panelists for being here today.

With nothing further, this subcommittee stands adjourned.

[Whereupon, at 11:32 a.m., the subcommittee was adjourned.]

[The prepared statement of Hon. Gerald E. Connolly and additional information submitted for the hearing record follow:]

Opening Statement of Congressman Gerald E. Connolly

Federal Workforce and Postal Service Subcommittee

Tuesday, November 15th, 2011

Chairman Ross and Ranking Member Lynch, we are fortunate to have OPM Director John Berry with us here today. On a wide range of issues including telework and federal personnel policy, Mr. Berry has provided thoughtful, proactive leadership of OPM. The fact that he is here today, instead of a subordinate, demonstrates OPM's commitment to addressing the issues raised by this hearing.

With respect to the insourcing of USAJobs, the question is not whether the insourcing was a good decision. It would be rash to change course now based on glitches that occurred as OPM transitioned the site from Monster. Instead, we should use this hearing to establish some objective criteria by which USAJobs can be measured against private sector best practices. If the site continues to perform below par and OPM does not realize the savings it projected, then it could be reasonable to outsource it in whole or part. Fortunately, Monster representatives are here to testify about private sector best practices. As OPM continues to refine USAJobs, it will be imperative that the federal system perform as well as its private sector counterparts.

One of those criteria is the sophistication of search functions. As Mr. Manzo and Mr. Conway's written testimony noted, Monster has developed an intuitive search function which flags possible job matches for applicants without applicants searching for those postings specifically. Given the number of federal jobs and the similarity between some of them, it would seem valuable for USAJobs to provide similar search quality. USAJobs also will need to perform reliably; if the system is down repeatedly it would suggest that OPM is not capable of managing it. Finally, OPM clearly needs to demonstrate the cost savings that it expects from insourcing. As with any question of insourcing or outsourcing, this should not be a question of theology. I look forward to learning more from the panelists so that members of this Subcommittee may have some empirical basis to analyze the performance of USAJobs over the next several months.

Mr. Berry's presence also is useful because we need to understand why automating retirement payments for federal annuitants has eluded OPM for the past two decades. After four separate attempts to automate retirement systems, including a failed $270 million contract, one would hope that OPM has learned what not to do, and perhaps by process of elimination honed in on reforms that could expedite processing of retirement claims. My district has the third-largest population of federal employees, and my district staff spends a great deal of time helping federal annuitants who are victims of OPM's retirement processing delays. I am pleased that Director Berry has stated that fixing this system is a top priority because the existing system is indefensible. Thank you again to participants in both panels for attending.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

February 14, 2012

The Honorable Dennis A. Ross
Chairman
Subcommittee on Federal Workforce
U.S. Postal Service and Labor Policy
Committee on Oversight and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515
Dear Chairman Ross,

Attached are responses to the questions for the record contained in your December 15, 2011, letter related to the hearing held by your subcommittee on November 15, 2011, "Back to the Basics: Is OPM Meeting Its Mission?".

In an email dated January 19, 2012, the subcommittee staff kindly extended the response deadline to February 14, 2012.

If you need additional information or have other questions, please contact Susan Ruge, a member of my staff, at (202) 606-2236.

Sincerely,

Patrick E. McFarland
Inspector General

cc: The Honorable Stephen F. Lynch, Ranking Member
Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy

Question 1: Please provide information on the process and results of the crossmatching of files between OPM and the Social Security Administration?

Response:

The U.S. Office of Personnel Management (OPM) performs a weekly computer match comparing names and social security numbers (SSNs) on the annuity role to a file with current death records received weekly from the Social Security Administration (SSA). This file contains only those deaths reported immediately to the SSA (*i.e.*, the week that they occurred). The key fields matched include full name, date of birth, and SSN. OPM sends a letter to the annuitants to verify vital status for both those who match exactly on the key fields and for those with an invalid match (one of the fields does not match exactly but the others do).

In fiscal year (FY) 2011, there were 40,085 exact and invalid matches of annuitants/survivors with the SSA weekly file. Of this total, OPM had already learned of the annuitant's death in 28,825 cases as a result of notification of the death from a family member. The remaining 11,260 annuitant/survivor matches were learned to be deceased because of performing the weekly death match.

Our office recommended that OPM also conduct an annual match against the SSA's Death Master File to identify those deaths that were not previously reported in the SSA's weekly file or that were missed by OPM during the weekly match. OPM conducted such matches in 2005, 2009, and 2010, and plans to conduct it annually going forward. In 2009 and 2010, a total of approximately 1,000 deaths were confirmed from performing the Death Master File match.

OPM is currently conducting its third consecutive Death Master File match, begun in the fall of 2011, and has reported to us that they are approximately 85 percent complete. We have not yet been informed of any results from this match.

While we are encouraged that OPM has incorporated the annual match against the Death Master File into its standard procedures, the above information provided to us is of limited use in analyzing OPM's progress in preventing improper payments. For example, OPM was unable to tell us how long after death the individuals identified in the annual match had been receiving annuity payments prior to their discovery, the amount of any improper payments, and the amount of funds that OPM has been able to recover.

Question 2: Please provide information on the process and results of OPM's contacts with and checks on the annuity roll population over 90 years old.

Response:

At our request, OPM began surveying the over age 90 population of the annuity roll in September 2009 (the Over 90 Project). At that time, there were over 125,000 annuitants over the age of 90 on the annuity roll. In the Over 90 Project, OPM reached out to a sample of 1,000 annuitants between the ages of 90 and 99, and all annuitants over the age of 100 (approximately 3,400), and requested that these individuals send the agency a signed response confirming their vital status and validating their correspondence address.

Out of this sample of 4,400 individuals, OPM reported to us that 144 cases were suspended due to non-response. Of the 144 suspended cases, approximately 100 individuals have been dropped from the annuity roll. We've asked OPM for additional analysis on the 144 cases that were suspended.

In addition, over 800 responses were signed by someone other than the annuitant, of which approximately 600 have completed a representative payee application.[1] Additional follow-up is in process on the others but OPM has been unable to provide us with detailed information as to the status of these follow-up actions.

OPM has informed us that they plan to repeat this exercise in the summer of 2012. We are encouraged by OPM's work to increase contacts with annuitants over the age of 90. However, it failed to provide adequate information to determine the extent of the improper payments that have been made to the identified deceased annuitants. For example, we would like to know how long these individuals were deceased prior to detection, the amount of annuity payments made between the time of death and OPM's discovery of it, and the amount of these improper payments that the agency has been able to recover.

We would like to point out that we are also concerned about the resources that OPM's Retirement Services has devoted to addressing improper payments in general. A group of seven employees, no matter how committed they may be, cannot possibly institute and keep up with the work required to implement adequate identification and prevention measures necessary to address the problem of long-term improper payments.

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[1] If an annuitant is not capable of managing his or her annuity payments, then OPM will make the payments only to a court-appointed fiduciary or to a person selected by OPM. To be selected, the individual must fill out an "Application For Selection As Representative Payee of an Annuitant", found at: http://www.opm.gov/forms/pdf_fill/RI20-7.pdf The information provided by this form helps OPM ensure that the representative payee has a clear understanding of his or her responsibilities to the annuitant and the accompanying legal obligations.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

John Berry
The Director

Questions for the Record
"Back to Basics: Is OPM Meeting its Mission?"
Hearing before the Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy
Committee on Oversight and Government Reform
November 15, 2011

1. Given all the available technology, why did you decide to bring USAJOBS in-house?

Part of the consideration underlying the decision to host and maintain USAJOBS within OPM was made in January 2010 by the Chief Human Capital Officers Council (CHCOC). This recommendation was based partly on the desire to have the Government own all associated rights to the system's data and program code, which, in turn, would provide the necessary flexibility to manage the Federal Government's HR system more effectively. Just as business mines its data to find ways to improve productivity, we wanted more flexibility to analyze hiring patterns across Federal agencies to find opportunities for improvement and cost savings. Developing a Government-owned system will give us the ability to analyze Governmentwide employment data more thoroughly to compare, for example, hiring times for the same positions – say a financial expert – across agencies, or provide demographic analytics as to the source of candidates (e.g., other jobs boards, universities, veterans, civilians) on a more robust schedule with flexibility of content. It was also important to enhance security for the protection of the sensitive information provided by job applicants. With the previous proprietary solution, we had very limited visibility into overall operations of the system. In addition, the Government's data was comingled with private-sector data and processes, which added to the security risks. The in-house solution provides the Government complete access to all operational details, data, and processes, making it easier to mitigate risks.

There are some basic features of the legal and regulatory framework on which the Federal hiring system is founded that are unique to the Federal system. The Federal hiring process is a merit-based process with numerous statutory and regulatory requirements to ensure fair and open competition for Federal jobs and adherences to veterans' preference rules. The law requires Federal agencies to inform job-seekers of the types of positions they are filling and the location of these positions. Thus, one of the unique features of the Federal hiring process is that the location of a job must be identified up front, whereas, in many cases in the private sector, the duty location can be determined later in the hiring process. These differences from the private sector fostered a desire to improve and streamline the overall job applicant's experience, by providing expanded search options that allowed applicants to identify jobs of interest within geographic areas and permitting the applicant to apply for the same position in multiple locations with one single application. Bringing this project in-house allowed us to build a new platform based on open standards and get away from a closed proprietary solution that

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

John Berry
The Director

discouraged other vendor solutions and made integration more difficult. This new flexible base has an open framework that specifically encourages private-sector innovation and best practices for the overall hiring process.

Finally, the in-sourcing decision included a consideration of alternatives to allow more timely implementation of functionality improvements and to reduce the cost associated with implementing these changes.

2. To what extent was OPM's desired functionality for USAJOBS 3.0 available through the private sector?

While there are many innovative private-sector solutions that support various hiring functions, they do not support the complex statutory requirements, including veterans' preference, which are the foundation of the competitive Federal hiring process. These laws and regulations governing the Federal hiring process are not addressed adequately by the private-sector solutions. Many best practices in the private sector would need to be greatly modified in order to work correctly in the Federal space. Those modifications would increase costs beyond reason and provide less flexibility, an outcome that would be the opposite of a leveraged solution. Because USAJOBS started as a simple job posting board, a private-sector solution was used at first, but the system has outgrown the original premise and solution and evolved into a complex integration of many systems supporting the Federal recruiting and hiring processes and the policy-making and oversight functions for which OPM is responsible. USAJOBS 3.0 was designed specifically to focus on those core features unique to the Federal process (i.e., the law governing the competition for positions in the civil service, including, e.g., the Veterans' Preference Act) and was built upon an open integration framework. This open framework supports integration with a variety of best practices using common data and integration standards. This allows agencies the flexibility to connect relevant public and private-sector solutions such as alternate sourcing, assessments, and other recruitment tools which encourages innovation but also saves money by leveraging best practices and shared solutions.

3. When making the decision to bring USAJOBS in-house, did you take into account OPM's poor history with information systems development?

As with most every Federal agency, and many private enterprises as well, OPM has a mixed record of accomplishment with the full lifecycle of IT systems development, implementation, and operation – including a number of successes and several failures from which the agency has learned a lot. OPM is using these experiences to improve related capabilities. OPM has IT staff that focuses specifically on building and maintaining secure, scalable Human Resources Information Technology (HRIT) systems for OPM, as well as other Federal organizations. This staff has been developing and maintaining HRIT systems for more than 25 years and created the original USAJOBS system. OPM staff designed, programmed, and implemented the original USAJOBS (in 1996, and including the search engine and resume builder) and maintained it for 7 years. OPM also developed, maintains and hosts the myPay

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self-service employee benefits system for 5.8 million DOD civilian employees, military members, and military retirees.

OPM has developed several successful IT systems, including the Federal eOPF initiative for automating Federal employees' personnel records, the Enterprise Human Resources Integration (EHRI) database, and the Electronic Questionnaires for Investigations Processing (e-QIP) which is used by the vast majority of federal agencies to compile and submit case papers for the initiation of background investigations electronically, which have successfully supported many agencies across the Government.

4. How much does OPM charge agencies to use USAJOBS?

The annual bills for USAJOBS are calculated based on usage and overall agency populations. Each agency that uses USAJOBS is billed a portion of the total costs to operate. The allocation to each agency is based upon an overall rough order of magnitude, calculated from their overall FTE counts. For FY 2012, USAJOBS anticipates recovering $12.2 million.

Does OPM meet its costs in providing this service?

Yes.

What do you do with the excess revenue, if any?

All revenues collected are used in full for current operations and future enhancements. In determining what enhancements to make, we solicit the view of agency partners and the CHCO Council. OPM uses a phased, modular approach to making these enhancements in order to help maintain a flat rate structure, based on input from agencies about priorities.

What are the savings to the government resulting from OPM's decision to bring the website in-house?

Running USAJOBS in-house saves approximately $1 million each year. As noted in the answer to question 1, however, the decision to bring USAJOBS in-house was based principally on the need to provide the flexibility required to respond to a changing HR environment, and the need for enhanced capability to analyze Governmentwide employment data to improve the hiring process. It should also be noted that, as USAJOBS usage grows, agencies are not creating as many redundant posting sites, and the unit cost to post a job continues to cost less than similar private-sector services. For example, the average cost to post a job on USAJOBS is $22, while advertising the same job on a popular commercial site will cost $300 to $400. Moreover, because USAJOBS is built on an open platform, it now allows the best vendor solutions to be leveraged and linked to USAJOBS. This promotes a leveraged model where multiple agencies pay a shared cost for a shared service. Innovation has already started as vendors improve their current systems to take advantage of the new USAJOBS features and standards. New vendors have entered into the Federal recruitment business and we expect this trend to expand into

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such services as testing, alternate sourcing, discovery matching and others. For example, three new vendors have entered into the talent acquisition systems: Taleo, NGA.net and Econ Systems.

5. Given the vast array of product offerings available on the commercial market, why should an agency choose OPM to provide services? What assurances does an agency have that OPM's products provide good value?

In some instances, agencies are required to obtain services from OPM. For example, most background investigations are performed by OPM, and Congress has established a revolving fund to finance that function, which means that agencies must reimburse OPM for the cost of performing that function. There are legal requirements that apply in the staffing area, as well. For example, by law, agencies are required to notify OPM of vacancies in the competitive and senior executive service (SES), and OPM is required to post them. Because USAJOBS is the platform that OPM now uses to discharge its obligation to post, agencies are required to post vacancies in the competitive service and SES on USAJOBS. And OPM is authorized by statute to recover its costs for this service by assessing fees. OPM also has statutory authority, however, to delegate certain human resource functions that it used to perform itself, including the examining function, to agencies; conversely, it is now required to perform delegable functions on a reimbursable basis, if it performs them at all. Accordingly, pursuant to OPM's Revolving Fund statute (and, in some circumstances, the Economy Act), agencies may obtain services from OPM with respect to training and other human resource functions only on a reimbursable basis. Federal agencies do have a choice when seeking many HR solutions. They can perform the work themselves with in-house HR staff, compete it among public and/or private-sector vendors, or obtain services through multiple Federal providers, including Federal shared service centers and OPM's Human Resources Solutions (HRS) Division. Competition requires OPM to provide relevant, cost-effective solutions to agencies in order to continue performing these functions.

A key reason agencies choose OPM to provide services is because it has the ability to match Federal agencies with private-sector solutions, where appropriate. In FY 2012, OPM projects to perform 80 percent of our reimbursable services using private-sector vendors (including IBM, Deloitte, ICF, SRA, Booz Allen Hamilton, and others). After services are rendered, we project 95 percent of the revenue collected will be passed on directly to those companies. The remaining 20 percent of our services are delivered by Government employees, supplemented with contractors and vendors who understand Federal requirements. Based on historical figures, we project that, for HRS as a whole, approximately 88 percent of our revenue will be passed on to private-sector partners involved in the delivery of HR products and services.

Federal agencies have a choice when seeking HR products and services and are making their own judgments about value. The fact that 97 percent of our work is repeat business reflects a high level of customer satisfaction. A second measure of value is the degree of customer satisfaction with HRS, which remains high. In FY11, on its American Customer Satisfaction Index equivalent evaluation, HRS

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received a customer satisfaction score of 75.3, substantially above the Federal Government aggregate of 65.4. For its training offerings, HRS received a composite Kirkpatrick level 1 (satisfaction with training programs) rating of 4.54, substantially higher than the industry benchmark of 4.29. Finally, 87 percent of HRS customers agreed that its products and services contribute to their organization's effectiveness.

6. The USAJOBS launch follows a crash last summer at USA Staffing, a website run by the government that routes job applications to hiring managers. During a four-day outage in August, resumes, essays and other information for 70,000 candidates were lost. How would you characterize your stewardship of these websites? Why so many problems?

Many public and private sector IT systems experience unplanned outages, and the key to maintaining high levels of service and availability is to learn from each outage and not have the problem occur again. USA Staffing has a long track record of stability, having maintained greater than 99 percent system availability over each of the past 5 years, while simultaneously strengthening system capacity to handle a high volume of activity. Still, we continuously strive to improve the performance of the system. During the same 5 years, USA Staffing has made significant improvements. These improvements have resulted because USA Staffing is designed solely for Federal hiring and is not built to serve a combination of private-sector and Federal customers. The tool is continually being enhanced based on customer feedback garnered from a dedicated customer outreach program where Federal agencies are asked for suggestions for improvement and provide input into future requirements. As of January 2012, more than 8,500 HR professionals and 104,000 hiring managers from 54 Federal agencies use USA Staffing. In FY 2011, agencies used USA Staffing to process an average of 20,000 applications per day, enabling more than 134,000 selections for mission-critical and support occupations annually.

With regard to the 4-day outage referenced in the question above, this is the only issue of this type ever experienced by USA Staffing – and we learned from the experience. A database error occurred following a major database upgrade in USA Staffing. As a result, we identified 69,567 applications that could not be processed accurately. To address the database error, OPM took USA Staffing offline for a period of 40 hours from August 9-11, 2011. During this time, OPM notified all affected applicants via email with guidance on resubmitting application materials.

No documents were lost due to the database error; to accurately complete the processing of their applications, applicants could simply resubmit them on-line. Applicants were able to begin applying for vacancies again on the morning of August 11. In addition to notifying all applicants of the need to resubmit their applications, OPM notified all agencies of the affected job opportunity announcements so they could extend the open period for those announcements.

While this was an isolated incident, OPM has since implemented additional quality assurance measures to prevent the recurrence of this disruption. Specifically, OPM has implemented additional manual quality reviews that augment the automated tools used in database maintenance. Even with this unscheduled outage in August, availability of the USA Staffing system was 99.31 percent in FY 2011. As

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stated above, USA Staffing has maintained a greater than 99 percent availability rating for the last 5 years; the availability rating for FY 2010 was 99.76 percent.

7. What is the timeline and costs associated with resolving identified issues and achieving full functionality of the USAJOBS?

Full functionality was achieved by the second week of November (about 5 weeks after launch). We added additional virtual servers; implemented Akamai's content delivery solutions; and fine-tuned load distribution and process flow to better support the site traffic and smooth out the performance of the site. We expanded job location tables and tuned parameters that greatly improved search results. The additional cost associated with these solutions was approximately $430,000. None of these expenditures resulted in increased costs to agencies. Since its launch, USAJOBS 3.0 has supported 2.66 million searches on average each day. Applicants are finding the jobs, as demonstrated by the fact that more than 4.5 million applications have been processed since the launch.

8. What are the development, implementation, operation and maintenance costs of USAJOBS 3.0, including the timeline and costs associated with planned updates (USAJOBSRecruit.gov and USAAssess.gov)?

USAJOBS 3.0 costs $12.2 million annually, which includes all costs associated with maintaining the site and allows for future enhancements in a phased approach. This approach was consistent with the input we received from agencies, as the flat rate structure helps with budget planning and still allows for site improvements over time. USAJOBSRecruit.gov is an existing site, separate from the USAJOBS site with annual maintenance cost of $75,000. Assess is a pilot program run by OPM's Human Resources Solutions (HRS) and is not part of the USAJOBS fees.

The three-phased plan for the launch and continued development of USAJOBS 3.0 prioritizes and bundles future enhancements by balancing agency input and level of effort with cost and schedule. Following are the project goals and key features our customer agencies have been informed they can expect:

Phase 1 (Completed Q1, FY2012)

- Rebuild USAJOBS with Government ownership of the intellectual property
- Open architecture, built on common data standards and a standard integration framework
- Direct links to USAJOBSRecruit, a tool fostering a Federal recruiter community of practice
- Modest enhancements to the current USAJOBS functionality

Phase 2 (estimated late FY 2012 early FY2013) -- Cost estimated at $1 to $1.75 million.

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- A single place for applicants to store resumes and other documents and receive status updates
- A streamlined application process with USAJOBS documents passed seamlessly to the agency
- Improved applicant communication

Phase 3 (estimated mid FY 2013) -- Cost Estimated at $2 to 2.75 million.

- A data repository for analysis and reporting
- Applicant tools for career exploration

Interoperability with various human resources tools and products to support the end-to-end hiring process

9. Who designed the architectural blueprint for USAJOBS 3.0? Are the flaws associated with USAJOBS 3.0 a result of the design?

The initial design of USAJOBS 3.0 was done based on requirements and a design identified by OPM and an integrated project team that included representatives from key agencies such as the Departments of Defense, Treasury, Homeland Security, Agriculture and many others. The foundation of the overall design is sound, and has been improved in response to the issues identified in the first several weeks of operation. While the main issues that emerged immediately after the launch were highly visible, they were primarily centered on performance tuning (rightsizing the hardware/software configurations) and tuning the search parameters, such as job location codes. These activities drive the accuracy and speed of search results. These features have been greatly improved since the site originally launched. No substantive changes were needed to core system architecture and design.

10. Did OPM hire a program manager to coordinate technology contractors building the site (RMCI, Progressive Consulting Technologies, Qinetiq North America, Aeturnum, and Capricorn)?

OPM assigned a senior-level Technical Project Manager with extensive experience in projects of this complexity to lead an interdisciplinary team of Federal and contract Information Technology (IT) staff, including coordinating and integrating the efforts of the contractors mentioned above.

11. Given the backlog of 60,000 cases, do you believe it is sufficient to only require OPM employees to process 3.5 cases per day?

It is important to understand that production standards are based upon what employees can reasonably be expected to produce. Given current workloads and the number of currently available Legal Administrative Specialists (LAS), that level of production is not sufficient to reduce our caseload at this time. We are attempting to improve our production capability by both increasing the number of LASs and improving our processes to allow them to be more productive.

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The current 3.5 figure represents an increase in the expected average number of cases an LAS processes per day based on recorded actions during recent fiscal years. The number of cases adjudicated is one part of the actions a LAS is responsible for completing; these include screening and development of missing documentation, responses to case stakeholders and actions concerning organization customer services outside of their assigned workloads. The average 3.5 cases per day takes into account the range from the least complex case to the most difficult and time-consuming actions. An acceptable figure is a figure that represents timely processing of cases, wherein final annuity payments are determined in the shortest time practicable, maintaining the highest level of quality. We are currently reviewing our production standards to more carefully consider the various types of case work, with an eye towards looking more closely at the types of work performed and increasing expectations where appropriate and considering actions that can be assigned to alternate staff to free time of the trained LAS to focus on the calculation of benefits.

12. After its last major initiative which resulted in termination of a $290 million contract, OPM said it was going to approach retirement systems modernization using small-steps, in-house. What has OPM accomplished? How has OPM addressed the management weaknesses identified by GAO and its Inspector General?

We have already accomplished the following initiatives that form the important foundation for an automated environment. These initiatives were crafted by a cross-office team (CIO/Retirement Services) and, in light of the GAO audit that prescribed more rigorous oversight and documentation for our automation initiatives, were formally documented in official OPM Plans such as the Concept of Operations, Requirements Management Plan, Program Management Plan, Work Breakdown Structure Plan, and Risk Management Plan.

- The Guide to Retirement Data Reporting (GRDR) (i.e., Retirement Data Requirements). This document provides OPM's official requirements in a standardized format for all agencies to meet for sending electronic retirement data. Essentially, under this initiative, we will be acquiring all the "IRRs" (Individual Retirement Records) we currently receive in paper form, but now they will be vetted at the time of being sent to OPM due to the automated capability of validating much of the data. The GRDR is a published document resident on the OPM website.

- The Guide to Retirement Data Validation (GRDV) (i.e., comprehensive edits to ensure clean data submissions). The GRDV is a companion to the GRDR and institutes rigorous editing and validations of the data so as to measure the quality of the data submission and therefore minimizes or eliminates the lengthy "development" process that currently exists when cases are incomplete or inaccurate.

- The Guide to Technical Compliance (Agency friendly guide for submitting clean data). A "how-to" guide for agencies to program their system for data compliance and quality.

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- Data Repository. A central data repository to store the data and to enable it to be available to OPM systems and processes. This system leverages the already existing EHRI infrastructure, that covers disaster recovery, backups, security etc.

- System for Data Feeds. A companion system to receive the data feeds, store them, and validate them against the business rules. The benefit is that the data is evaluated upon receipt, which enables OPM to immediately work with agencies to resolve quality issues.

- Data Viewer. A tool for viewing the retirement data and associated edits and validations in a familiar and logical format. This is also an area where data from other retirement systems can be centralized.

- Electronic Document Management System (EDMS). EDMS is the electronic repository of imaged documents being scanned from the paper employee files and from incoming documents from agencies. This is the real time Retirement counterpart to the eOPF.

- The EHRI Retirement Feed project. OPM has successfully engaged OMB's assistance with mandating milestones agencies need to identify for the EHRI Retirement Feed project. Agencies have already committed resources to the EHRI Retirement Feed and have been introduced to a Summary of Service schema associated with an electronic retirement application.

We believe that the value of an iterative approach with a clear direction is that it provides better opportunity for Retirement to incrementally introduce automated systems and the accompanying business process. As described above, we are actively moving on that course, and are also incorporating lessons learned from the launch and subsequent issues with and improvements to the USAJOBS 3.0 system.

13. Your testimony places some of the responsibility for retirement claims on the data provided by the employing agency. Sadly, OPM has a 50 percent error rate among completed files, among the highest of all agencies. What steps is OPM taking to improve its employee data?

The source audit does not in any way support a conclusion that OPM has an overall error rate of 50% in its submission of retirement application documents. During the 2011 time period, the audit looked at 4,222 cases. Of those cases, a total of two cases originated in OPM, one of which had an error relating to a highly unusual type of situation not commonly involved in OPM retirements. Such a sample size of two cases is statistically meaningless. Accordingly, there is no basis to say that OPM's processing error rate is "among the highest of all agencies." The purpose of the annual audit is to get an overall error rate, and see where common problems lie. Annual audits are not a statistical sample, nor are they intended to be. The audit "universe" is of all applications "first touched" during a 6 week period, in 2011 from May 2 to June 9. Feedback is provided to agencies on all cases containing errors.

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While we do not now have overall agency-by-agency application submission error rates, we have a process that will provide such information shortly. The Six Sigma project is re-engineering the front end processing of retirement cases to have a dedicated staff review and develop all incoming cases before they go to for actual adjudication. From that process data will be collected on all cases as they are developed so future audits will allow a valid picture of individual agency's performance. At that time we will be able to analyze the areas in which agencies have difficulty in submitting applications, both on an overall and agency specific basis. We will then be able to take targeted action to help ensure that all agencies submit complete applications on a timely basis.

14. The Inspector General's testimony discusses OPM's agreement to analyze undeliverable correspondence, such as the IRS Form 1099-R (which reports the amount of the annuity the retiree received during the calendar year). According to the IG, OPM is in the process of analyzing data from forms returned in January 2010. Waiting two years to analyze data makes me question OPM's commitment to reducing improper payments. What is the reason for the delay in analyzing the 2010 correspondence?

OPM is committed to reducing improper payments in all of its programs. This fiscal year, the Office of the Chief Financial Officer has established an Improper Payments Working Group (IPWG). This working group meets bi-weekly and is comprised of members from each Program area, including Retirement Services. The IPWG has established an agenda for the remainder of the fiscal year, which includes working with the Social Security Administration to eliminate duplicate retirement disability payments, improving OPM improper payment recapture procedures, and resolving open audit recommendations related to improper payments.

Retirement Eligibility and Services previously performed the 1099R project in 2007. However, in this type of activity it is our obligation as a steward of limited resources to ensure that the results of the effort justify the use of resources, and based upon the results of that project concluded that the resulting data did not support performing this every year. We are currently in the process of performing this project again. The first batch of 1118 Address Verification letters was sent out October 2011. The second batch of 2000 is being prepared for mailing. We will evaluate the necessity and frequency of future returned mail projects for the 1099R form and will provide organizational recommendations at the conclusion of this effort.

15. OPM requests that certain retirees self-certify their vital status and address in order to continue to receive their annuity. Is there a reason OPM doesn't require a notary witness?

Generally speaking, the individuals to whom these certifications are sent are quite old, often with major mobility limitations. Requiring these individuals, even when they live where notary service are convenient (not always the case), to leave their homes to visit a notary would often be a considerable burden and some expense. Given the low percentage of fraud involved in these cases, our view is that

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the small number of fraud cases that could be prevented or detected does not justify the additional burden to our elderly annuitants in all cases.

Retirement Inspections Branch is responsible for detecting improper payments. If it is suspected that someone is deceased or there is possibility of fraud, a "living status" inquiry letter is sent. If there is no response, or the response is unsatisfactory, payments can be suspended. Cases that have been placed in suspend status due to this issue may be reinstated upon return of what is referred to as a "restoration letter," which does require execution before a notary.

16. Does OPM pay interest on annuity payments not settled?

Assuming that you mean interest on the final amount owed for the period during which any lesser amount was paid, OPM is not legally permitted to pay such interest. There is no appropriation of the Retirement Fund for the purpose of paying such interest, and thus we may not pay it under applicable statutory and case law.

Moreover, considering the overall circumstances, it is difficult to come to the conclusion that on balance authorizing such payments would be warranted. To require the payment of interest on benefit payments not made upon first legal entitlement would require establishment of new systemic and procedural processes. At a time when we are devoting all of our energies and efforts on eliminating the current backlog, and preventing its recurrence in the future, we believe it would be unfortunate to divert resources toward this end. We would also note that, at this time of record low interest rates, the amounts involved would typically be quite small.

17. What is the cost to the taxpayer per federal employee for human resource services? How does this compare to the private sector?

As noted above, human resource services are now largely decentralized and thus are performed all across the Government and in many locations in the United States and abroad. There are currently no comprehensive Governmentwide data available that capture human resources servicing costs across all Federal agencies that could be used to determine a per employee servicing cost. Similarly, private sector data sources are limited, and as a result, accurate and direct comparisons between the sectors are difficult to make based on available data.

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Representative Lynch Question:

Please provide information on the number of personnel located at OPM's Boyers, Pennsylvania and Washington, DC facilities who process retirement claims?

Participating in adjudicating and reviewing pending retirement claims (Pending LAS, Senior LAS, LAS Auditor/Reviewers):

Total	146
Claims 1 (DC)	49
Claims 2 (Pennsylvania)	97

CHARRTS No.: HOGR-01-001
House Government Reform Committee
Hearing Date: November 15, 2011
Subject: "Back to Basics: Is OPM Meeting Its Mission?"
Congressman: Congressman Ross
Witness: DASD(CPP) Tamburrino, Jr.

Question: I understand the Department of Defense (DoD) is considering moving to a pass/fail system for measuring civilian employee performance. Would you recommend such a move? Why or why not?

Answer: A pass/fail system is one of approximately 100 pre-decisional recommendations and proposals submitted to the Department by the joint labor-management design teams in support of the personnel authorities provided in NDAA 2010. The design team report containing all the recommendations have been considered by the Department's leadership and decisions on the path forward are being finalized in the Department's report to Congress.

Differences of opinion exist within the Federal Government and among performance management experts about which rating pattern most effectively supports and encourages a high performing workforce. However, there is broad support throughout the Department of Defense for a system that emphasizes the importance of employee engagement and acknowledges the critical role of supervisors in an effective performance management system. Focusing on the cultural and attitudinal aspects of performance – vice the mechanical aspect of a specific rating pattern – and placing greater emphasis on supervisor selection, training, development, and preparation is the key. As the Department moves forward, ensuring the foundational underpinnings are in place to support a culture of high performance will be a primary goal.

Question: In 2009, the DOD Inspector General found that the Department's acquisition of the Enterprise Staffing System at a cost of $153 million failed to comply with appropriations law and DOD procurement regulations. What steps has the Department take to strengthen its procurement of human resources services.

Answer: In 2011, the Civilian Personnel Management Service (CPMS) transformed to the Defense Civilian Personnel Advisory Service (DCPAS). More than merely a name change, this transformation was accompanied by a realignment of the directorates and divisions to both flatten the organization, and align functional responsibilities in a common structure. The realignment of functions within this organization is enabling the Department to focus on compliance areas such as procurement and acquisition, with particular attention paid to the acquisition of Human Resource (HR) IT systems, as recommended by the DoD IG.

One particular focal point in this area is the business systems investment review process. The Department has undergone multiple changes in the past year that will streamline and strengthen the process by which all business systems are scrutinized for investment purposes, their viability assessed, and the cost-benefit determined. The Investment Review Board (IRB) that operates in

the HR Management functional area at DoD is structured such that all systems, whether they by custom development, commercial products, or government services, are scrutinized according to the same set of criteria. Specifically, the IRB ensures that sufficient Business Process Reengineering (BPR) is performed in the business area being examined, that an appropriate survey of industry options is evaluated, and that all DoD and Government-wide regulations and policies are adhered-to during the implementation of these programs.

The Department cancelled the Enterprise Staffing Solution (ESS) project in 2010 and after gaining approval through DOD's IRB and Defense Business System Management Council (DBSMC), migrated to a significantly less costly staffing solution, which is USA Staffing. The Department has been duly focused on heeding the lessons contained within the report, and also on solving the Department's staffing and recruitment needs in a manner that bests suits the needs our Human Resources personnel and our hiring managers. As you know, OPM is our partner in this endeavor, providing services through USAJOBS and USA Staffing which has proven effective for DoD.

Question: What is the Department's cost to the taxpayer per federal civilian employee for human resource services? How does this compare to the private sector?

Answer: Federal agencies, including the Department of Defense, differ from private sector entities in several meaningful ways (as it relates to comparative cost to the taxpayer). Agencies are highly regulated and subject to a set of necessary statutory requirements that create a different playing field from which to compare against the private sector. DoD itself can be treated either as single large corporation, or a conglomerate of smaller, yet still large corporations; the Department's organizational make-up creates a unique environment from which to measure costs, efficiencies, and trends. The resulting measurements are appropriately weighted for comparative purposes, and the numbers presented below indicate that DoD's performance in the area of HR servicing is comparable to the private sector.

In 2010, the Office of Personnel Management published the "Shared Service Center HR Benchmarking Report," which contains benchmarking data by which OPM measured the success of all HR functions at the Federal agencies and Shared Service centers. This study includes baseline data for total HR costs, and HR costs per Federal civilian employee, and is used as the basis for the answer to this question. As reported in the 2010 report, DoD's shared service center HR cost per employee services was $1,024.13. This figure exceeds the industry median of $796.76 by $227.37, or 22%.

According to the measures contained in the OPM report, the Department's HR costs are reasonably consistent with industry-wide benchmarks, considering the cost of performing HR servicing functions that are inherent to Government such as labor relations, position classification and management, and Federal recruitment and staffing. As such, an additional relevant figure to compare to DoD is the related *weighted* median figure for all Federal service providers - $1,057.34 - indicating that DoD is tracking at approximately the same rate as the rest of the Federal Government.

An additional comparison can be made using industry data points made available by the Corporate Leadership Council (CLC) and other industry reports. CLC data available from 2010 indicates that the industry benchmark average for corporations with over $10 billion in revenue is $2,199. Another industry report indicates a figure of $1,462 for HR Services cost per employee. These figures indicate the variability of the available data, and provide a ballpark comparison by which to compare DoD to similarly sized private sector organizations.

Question: How have the current hiring reforms increased the quality of hires in the Department? What do you see as the biggest impediment in hiring qualified employees?

Answer: DoD managers and supervisors are surveyed on a quarterly basis to determine both their overall satisfaction with hiring, and with specific aspects related to hiring. Overall, satisfaction for hiring was consistently high in FY10 and increased significantly in the first three quarters of FY11. Other underlying hiring satisfaction results, such as advice in writing position descriptions; providing qualified, available job candidates; and advising on assessing applicants' skills and advice on hiring issues also reflect steady improvement over time. The overall trend is a strong indicator of the success of the various elements of DoD's hiring reform efforts.

The biggest impediment to hiring qualified employees remains the complexity of the Federal hiring process. DoD, along with the other Federal agencies, has made tremendous progress reforming its hiring practices. This includes increased standardization of the hiring practice across the DoD Components and a robust job aid titled the "Hiring Manager Toolkit," which is used to inform and assist managers understand the Federal hiring process. In addition, the deployment of USA Staffing has aided in this effort, providing a common tool for all of the DoD Components to use for screening and referring applicants. However, many of complexities that are inherent in the current Federal hiring environment continue to exist, leading to continued frustration on the part of applicants and managers. DoD is working closely with OPM to explore ways to streamline the hiring process through technology improvements and sustainability. For example, DOD is exploring how the OPM hiring tools (USAJOBS and USA Staffing) can support a more efficient way to make qualification determinations as well as ways to integrate specific business requirements into existing tools.

Question: How much is pay a factor in recruiting the employees you need? Do you find the Department is competitive? If so, for what positions? If not, for what positions?

Answer: Pay may be the biggest factor candidates weigh when considering working for any employer, but it is not the only consideration. In addition to the desire to support the DoD mission, candidates for DoD positions also consider employee benefits and work-life balance. The Federal government offers a comprehensive suite of benefits and work-life options, which contribute to DoD's ability to remain largely competitive in our recruiting efforts. While the Department has historically been unable to compete with the private sector for specialized medical providers, special salary rates (SSR) provide some relief and DoD has implemented the Physicians and Dentists Pay Plan to allow more competitive salary packages. SSRs also in place for IT and engineering positions align with other public sector agencies and help DoD compete

with the market.

Question: Do you see the pay freeze as affecting your ability to recruit or retain civilian employees? If so, how?

Answer: While pay is only one part of our compensation package, it is the largest and most important component. Given the current state of the job market and the economy, many of those who might otherwise have departed either for other positions or retirement have opted to remain due to the lack of attractive financial alternatives. Were either of these not true, the pay freeze would have had a much more significant impact to our ability to retain our employees, and likely will once the fiscal outlook improves, especially when one considers the deleterious effect that the pay freeze is having on employee morale.

Question: Do you see the current civilian pay system aligning with your goals in enhancing performance management? If no, how would you change it?

Answer: The current pay system, along with currently available awards and recognition—both monetary and non-monetary—aligns with DoD's goals in enhancing the performance management system. The Department embraces principles for an effective performance management that includes a focus on a culture of high performance; employee goals that align to organizational goals; on-going feedback and continuous learning at every level; emphasis on the on-going nature of performance management rather than on the year-end appraisal event; and improved supervisor competencies required for managing performance. The Department supports a standard policy for quality step increases and timely recognition during the appraisal cycle and year-end performance awards.

Question: To Mr. Tamburrino, Department of Defense, Deputy Assistant Secretary of Defense for Civilian Personnel Policy: Please provide information on the number of positions the Department of Defense has offers for early retirements and buyouts for FY 2011, and what the Department has planned for FY 2012. Please also provide the actual take-up rtes for early retirements and buyouts for FY 2011 and FY 2012.

Answer: Each year, the Department has authority for use of 25,000 Voluntary Separation Incentive Pay (VSIP) buyout allocations. DoD's Voluntary Early Retirement Authority (VERA) is unlimited. VSIP eligible employees may separate from service voluntarily, either by regular retirement, VERA, or resignation to avoid or minimize the need for involuntary separations due to RIF or during workforce restructuring efforts by management. In FY 2011, DoD had 1,203 employees retire early and we approved 4,205 employee buyouts. Of those employees retiring early, 1.051 also took a buyout. To date, in FY 2012, 540 employees have taken early retirement, and 2,393 buyouts have been taken. Of the FY 2012 early retirees, 510 also took the buyout. While we cannot specifically predict the use of VERA and VSIP for FY 2012, we expect continued use as workforce shaping options for DoD.

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The Director

November 21, 2011

The Honorable Dennis Ross
Chairman
The Honorable Stephen F. Lynch
Ranking Member
Subcommittee on the Federal Workforce,
the U.S. Postal Service, and Labor Policy
Committee on Oversight and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Ross and Ranking Member Lynch:

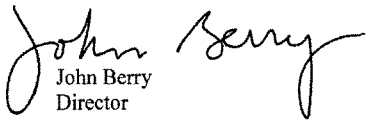
I am writing to you in response to the Office of Personnel Management (OPM) Inspector General Patrick McFarland's November 18, 2011, letter to the Subcommittee expressing concerns regarding my testimony for the November 15, 2011, hearing, "Back to Basics: Is OPM Meeting Its Mission?"

After reviewing the Inspector General's (IG) letter, I would like the Subcommittee to know that it was not my intent to imply that all improper annuity payments have been the result of fraud. As the IG notes in his letter, "...most improper payments are short-term in nature and typically fully recovered." The most difficult cases to detect, however, are the improper payments resulting from fraud, such as the intentional failure to report the death of an annuitant.

I am in complete agreement that stopping payments to deceased annuitants is a high priority for OPM that must be addressed. I share the IG's concern about egregious improper payments that can result when an annuitant's death goes undetected and his emphasis on the need for programmatic changes to catch those instances of improper payments. OPM is fully committed to eliminating all improper payments, including through partnership with the Social Security Administration and the Internal Revenue Service. Finally, I have created a strong leadership team to ensure we do everything possible on this issue. It is led by my Chief Operations Officer and includes our Chief Financial Officer, our Director of Internal Oversight and Compliance, and the Associate Director for Retirement. I have directed them to coordinate closely with our IG as they move forward.

As I noted in my testimony, to date, we have implemented 10 of the 14 recommendations from the Inspector General concerning elimination of improper payments. I look forward to continuing our work with the IG to stop all improper payments to deceased annuitants, including those resulting from fraud.

Sincerely,



John Berry
Director

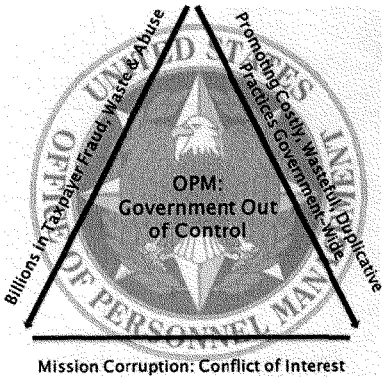
cc: The Honorable Patrick McFarland, Inspector General

Chairman Ross, Ranking Member Lynch, and other distinguished Members, my name is Linda Rix and I am thankful for this opportunity to submit this testimony for the record. I am Co-Chief Executive Officer of Avue Technologies Corporation. Founded in 1983, Avue Technologies has pioneered the technology of smaller, better government. The company provides the public sector with integrated technology and service solutions that dramatically increase enterprise-wide visibility and management effectiveness, workforce productivity, and manager and worker satisfaction. In the fight against "business-as-usual" in Washington, Avue helps power "business-as-unusual." Avue is a privately held company headquartered in Tacoma, Washington and with offices in Washington, D.C.

For me, today's hearing is a welcome look at OPM's mission and what the agency has become. It is a crucial hearing because it examines the ongoing problems and systemic waste created by initiatives propagated by the US Office of Personnel Management (OPM).

At the outset, I want to emphasize that while this hearing was prompted by the recent USAJobs 3.0 fiasco, USAJobs is a symptom, not the disease that must be addressed. This disease consists of the entire so-called "fee-for-service" operations in human resources and payroll for the federal government. Until this real disease is addressed, the widespread damage to federal government operations in terms of efficiency, effectiveness, and cost to U.S. taxpayers will continue.

Particularly untenable is OPM's three-pronged approach to securing as much taxpayer money as possible to grow its organization and ensure a monopolistic market position. Since 2000, OPM has steadily, and aggressively, corrupted its mission – by abusing its regulatory oversight authority to feed its own business interests. The government-wide waste and duplication created by OPM's technology hacks and the fraudulent manner in which OPM purports to protect the Merit System of employment while concurrently committing a histrionic breach of the Merit System and the Veterans Preference Act, have served to do nothing more than feather its own nest – at taxpayer expense.



Until the real disease is treated, the widespread damage to the cost, efficiency, and effectiveness of all federal government operations will continue. As a country, we can hardly afford to placate an agency whose mission has been thoroughly corrupted and whose abuse of authority has allowed it to create billions in waste and duplicated effort.

In 2006, this warning should have alerted everyone as to scope of the problem. In OPM's own words:

> *"...a potential conflict of interest arises when OPM serves both as the problem identifier (through the Division for Human Capital Leadership and Merit System Accountability's (HCLMSA) agency audits or PMA scorecard evaluations) and as the solution seller (through CTS). Conceivably, OPM could purposely generate business for CTS by flagging problems at agencies and recommending CTS's products to address those concerns."*[1]

This Cassandra prophecy is now fact. OPM acts only in its own self-interest, not just *conceivably*, but *actually*. This conflict of interest has not only widened; it has created a protection racket that feeds its ongoing greed and locks out better, lower cost, and more efficient solutions offered by the private sector.

My analysis is based on a long career employed by, and being a service provider to, the federal government. I began my professional career with employment by the Office of Personnel Management (OPM) on the first day of its existence as the successor to the Civil Service Commission. During my nearly five years of OPM employment I served in the Seattle Regional Office, performing appeal adjudication and regulatory audits of Federal government operations as a member of OPM's regulatory oversight group. During this time I acquired not only a deep understanding of federal law relating to personnel management and civil rights, but also a high regard for the expertise and dedication of my management and colleagues at OPM, as well as the federal agency employees I encountered in the field. I emerged with an abiding belief in the importance of OPM's original mission and personal support for its people.

After leaving OPM, I started my own company with a consulting and seminar business specializing in federal human resources and civil rights. Starting In 1988, when my company developed the first automation software for federal job classification, and continuing in 2001 when Avue became the first provider of "cloud" or "software as a service" to the federal government. All of Avue's customers are federal government agencies.

Over the years I have had continuing exposure to OPM, and have been both a passionate supporter of OPM and, where justified, an equally passionate critic. Over the past six years, my criticism has heightened because OPM has increasingly sought to end private sector competition for federal business through misuse of its government power and authority over agencies. HR technology decisions legally belong with each Department and agency, not with OPM. But this has not stopped OPM from illegally steering agency business from private sector providers to itself or its cartel of federal agency friends that have equally lucrative revolving fund accounts. During the past 18 months, OPM has prohibited agencies from purchasing privates sector products, period.

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[1] *Reported by OPM on OMB's ExpectMore website, OPM's Center for Talent Services, HR Products and Services for Federal Agencies*

Only a government entity, with immunity from market forces, cost of capital, price competition, and accountability could still walk the streets so boldly.

It is time for this to end.

Competition for federal contracts cannot be full and open when private industry must compete against a governmental entity, especially when that governmental entity has authority over the purchaser. When a government agency acts as both a source of authority and a commercial party, a conflict of interest is created which cannot be mitigated and which inevitably harms government agencies and the private sector.

Since 1955, it has been the policy of the United States government that it "...will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels." OPM believes, instead, that all things HR should be "By Government, For Government" – which is a registered trademark of OPM. While the conflict of interest and waste, fraud, and abuse alone are a profound call to action, the insidious harm this has done to agency operations compounds the urgency to take action now.

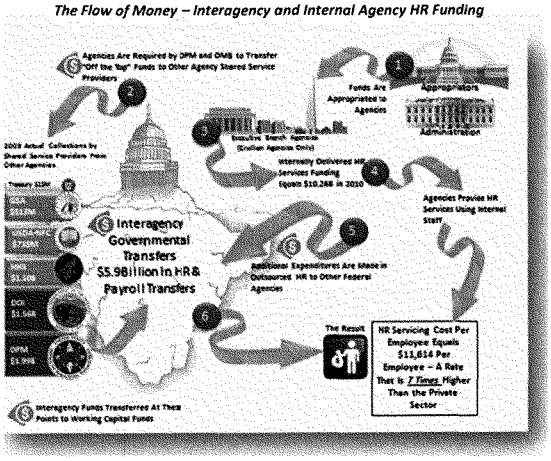
Since 2000, OPM has, through misuse of its governmental power, systematically seized control of 90% of the market for human resources products and services used by federal departments and agencies. It has leveraged its political power and authority granted by the Office of Management and Budget (OMB), under E-Government initiatives including the HR Line of Business initiative, to create an oligopoly of government entities. It has ensured a 100% market share by five federal HR and payroll providers, euphemistically called shared service centers. It enforces monopoly status via a mutually acceptable division of the market supported by the federal HR service provider cartel. In addition to OPM, federal providers include the Departments of Agriculture (National Finance Center), Interior (National Business Center), Treasury (HRConnect and Bureau of Public Debt), Health and Human Services (HRLOB), and Defense.

Follow the Money: The Cost and Flow of HR Services in Government Today

Human resource services are provided with a mixture of interagency shared service centers and internal agency human resource operations. The Human Resource Line of Business (HRLoB) initiative was originally intended to reduce the cost of providing human resource and payroll services in government by consolidation and private sector price competition. After inception, the HRLoB initiative was effectively hijacked to support existing government operated monopolies. No public-private competitions, to offer agencies a lower cost alternative to government operated service centers, were permitted and government monopolies flourished.

As a result, *the cost of human resources and payroll services have skyrocketed a whopping 40% in the last five years.*[2] The bureaucracies supporting these activities are bloated beyond recognition. OPM alone has increased its staff size 74.28% since 1998 and *in the last five years, OPM's staff has grown 21.59% - all of it based on charging other agencies fees.*[3] Interestingly, as OPM's funding has grown and headcount increased, agencies have concurrently been growing. The headcount of human resource and administrative staff in agencies concurrently increased, by 41.17%.[4] This is not only unchecked inefficiency; it is duplication of functions that bog down HR processes, notably hiring.

The Flow of Money – Interagency and Internal Agency HR Funding

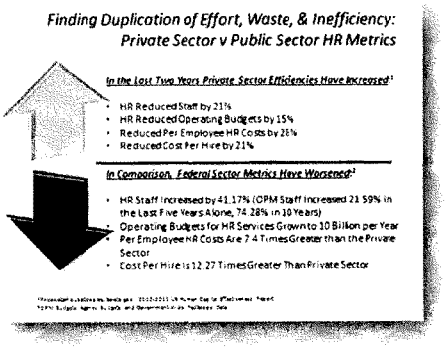


In contrast, the private sector, in response to economic forces, reduced its HR costs. According to a PWC and Saratoga Institute report: "If you look at the past couple years, 2009-2010, HR has reduced its staff by almost 11 percent. In the same time period, HR reduced its operating budget by 15 percent. For 2010, typical companies saw a 3-percent increase in HR costs-per-employee, while world-class companies saw costs drop by 12 percent, according to Hackett. World-class companies now spend 28 percent less per employee on HR than typical companies, and operate with 25 percent fewer HR staff."[5]

In contrast, HR costs per employee for the federal government have continued to rise. The cost of HR services in the federal government is now $11,614 per employee – an expense that is *7.4 times higher than the private sector.* HR costs in 2009, according to a survey of 300 private sector firms, averaged $1,569 per employee[6]. It gets worse.

[2] From federal agency budgets of GSA, USDA, HHS, DOI, and OPM.
[3] From www.fedscope.opm.gov data.
[4] From www.fedscope.opm.gov data.
[5] PricewaterhouseCoopers/Saratoga's 2010-2011 US Human Capital Effectiveness Report
[6] Also the PricewaterhouseCoopers/Saratoga's 2010-2011 US Human Capital Effectiveness Report

While the private sector experienced a reduction of 21% in cost per hire[7], the federal government experienced an increase. Where the average cost per hire, in all industries, has been benchmarked by the Society for Human Resources Management at $2,744, the federal government's cost-per-hire is now $33,677. The cost in the private sector decreased as the economy worsened and applicants were in much greater supply. The federal government's cost per hire is now *12.27 times higher than the cost of the private sector.*



Instead of leveraging the opportunity to become more efficient and reduce costs overall, the government service providers have increased costs and created layers of duplication. Without private sector competition to provide a reality check on costs and force increased efficiency, government waste and inefficiency grew unchecked. The use of interagency fund transfers, reimbursable or working capital funds, and government-owned technology monopolies have promoted colossal waste and inefficiency to the tune of $10 billion dollars per year.

A Technology Only A Bank Teller Could Love.

Part of the underlying basis for this unchecked growth and accelerated cost creep, is the technology the government financially supports. To the 1950's bank teller, secure behind a tall counter with bars separating them from their customers, the advent of the automated teller machine (ATM for those that aren't familiar with the humanoid 'teller') was a job killer. The *purpose* of technology is efficiency and radical cost savings. As the numbers above show, this has not been the underlying purpose of federally-developed technologies. Instead, technology solutions foisted on government agencies by OPM and its federal HR shared services cartel are offering solutions that require more people, at a higher cost of operation, than a *manual* process.

The reason for this is quite simple – the federal service providers, OPM included, are incented to make the business of government slow, plodding, and inefficient. The more inefficiency introduced, the more money and headcount are amassed to support the flow of money to the 'reimbursable funds' of each member of the cartel – a reimbursable

[7] The Bottom-Line Impact Of The Recession: Financial Performance, Turnover Rates And Recruiting Costs (2006–2008) "For all industries, cost-per-hire (CPH), or the amount of dollars it takes to source and hire staff, fell 21% from $3,451 to $2,744 between 2006 and 2008." http://www.hreonline.com/HRE/story.jsp?storyId=533326179

fund is like a slush fund – Cayman Islands account if you will. How do they do it? They apply the following four easy rules:

Rule #1. Acquire your customers by working with OPM and the other cartel members to carve up the market and explicitly ban agencies from introducing competition with private sector providers. All contracts with other federal agencies must be off-the-record intra-governmental service agreements (ISA). ISA's divert funds appropriated by Congress into fee for service "revolving funds" or "working capital funds" of cartel members.

Rule #2. Be sure to cooperate with the politically sanctioned, forced market distribution to avoid having to lower your costs to compete with, and potentially disrupt, the oligopoly. By collectively removing private competition, you protect your inflated pricing which in turn protects your inflated headcount, payroll, and cost of operations. Since private companies offer better technologies with considerably lower costs, it is essential they be banned from competing.

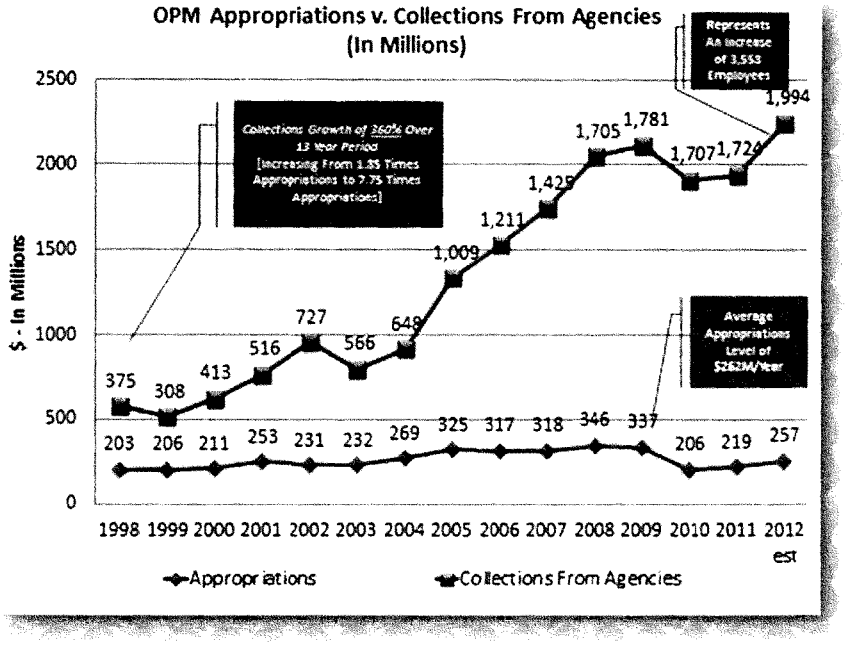
Rule #3. Avoid reinvesting your profits by selling systems, antiquated by decades of missed technology leaps, with a marketing spin that assures the customers they too will keep their headcount up. Never introduce solutions that create efficiencies and make sure that you cultivate key supporters by continuously threatening your customers when they look to the private sector for a lower cost, more efficient, more modern technologies by labeling them as job killers.

Rule #4. Maintain support for your products by allowing your parent agency or department to siphon profits from your reimbursable funds for purposes completely unrelated to your costs or needs. This way, your agency or department is incented to keep you profitable and so they can share in your slush fund.

As depicted in the chart *OPM Appropriations v. Collections From Agencies*, OPM evolved from its chartered role to that of a fee-based service provider or, as it characterizes itself – a toolmaker. Today, OPM estimates it will collect over $1.994 billion in funds from other Federal agencies in both the Executive and Legislative Branches.[8] These collections come from funds appropriated to the agencies to run programs and mission support activities and are not authorized as transfers to OPM. In contrast, OPM's direct appropriations average $257M per year.[9]

[8] Information depicted on this chart was extracted directly from OPM's published and forecasted budgets for the years shown.

[9] This graphic is also included as Attachment A.



As OPM's fee-based business has grown, a concomitant increase in OPM staffing levels has also resulted. Over the period covered in this chart, OPM's swelling workforce has grown by 3,553 employees. 72% of OPM's payroll is funded solely by its collections activities. Rather than shrinking the size of government, reducing costs, and 'walking the Administration's talk of leveraging low-cost private sector cloud computing solutions, OPM, has instead continuing to "roll its own", increased its costs by 432%, added unnecessary layers of bureaucracy, mushroomed the size of its workforce, and worked studiously to home-grow technologies that replicate those offered by industry.

How OPM Does It

OPM uses three principal methods to bolster its funding via collections from other agencies. (1) It uses its intragovernmental franchise fund authority to backdoor funding in areas not authorized by its Appropriators or other agency Appropriators. Using Interagency Shared Service Agreements with other agencies allows OPM access to interagency fund transfers (intragovernmental fund transfers). Intragovernmental fund transfers are extraordinarily difficult to track and have been identified by GAO as one of

8 Prepared testimony of testimony of Linda F. B. Rix, Co-Chief Executive Officer, Avue Technologies Corporation *Before the* Subcommittee on Oversight Of Government Management, The Federal Workforce, And The District Of Columbia "Uncle Sam Wants You! Recruitment in the Federal Government, Thursday, May 7th, 2009.

the top three reasons it cannot render an opinion on the 2010 financial statements of the US Federal Government.[10]

(2) OPM coerces agency cooperation by leveraging its audit and oversight authority to force agencies to fund development of and buy its software tools, as well as the services required to support these tools and exploiting the 'rubber stamp' Chief Human Capital Officers Council. As an example, on more than one occasion, OPM has directed agencies with regulatory violations regarding veterans' preference to buy its products to assure agencies would receive clear audit reports. The Department of Veterans Affairs is the largest agency to provide OPM funding on this basis. The Chief Human Capital Officer of the VA was awarded 2010 CHCO of the year by the OPM-controlled CHCO Council.

OPM has also inserted itself into the decision-making process of agencies when they are engaged in a legitimate openly competitive procurement of a system other than OPM's own or that of the federal HR cartel it has created to keep private sector competition out. It has coerced agencies into cancelling procurements or convinced agencies that procurement of products other than its own would result in adverse consequences – an obvious conflict of interest. OPM has tightly bonded with OMB to further coerce agencies so that OPM will have an increasingly monopolistic role while ignoring the conflict of interest regarding Federal contract evaluations and awards. OPM routinely uses it official role as the Co-Chair of the Chief Human Capital Officers Council to promote its products and services while specifically prohibiting private companies from doing so as well as its role as the E-Government HR portfolio manager, a role conferred to OPM by OMB.

And, (3), OPM uses taxpayer money to subsidize its development costs including having other agencies subsidize its products and services. The funds sent to OPM by other agencies allows OPM to subsidize the development and operations of its products with taxpayer money and lower its pricing to unfairly compete against better, more efficient, and more cost-effective products offered by industry.

OPM also artificially lowers its cost by using tactics like self-certifying it meets NIST[11] and FISMA[12] IT security standards. In fact, OPM often uses this as a defense for its 'insourcing' of systems so that they are "By Government, For Government" systems. However, because no other party can deeply investigate or hold OPM accountable for its system security, it is impossible to tell whether OPM has effectively invested sufficient funds in its hosting, development, architecture, and operations of systems to

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[10] Press release by GAO - WASHINGTON (December 21, 2010) - The U.S. Government Accountability Office (GAO) cannot render an opinion on the 2010 consolidated financial statements of the federal government, because of widespread material internal control weaknesses, significant uncertainties, and other limitations. The main obstacles to a GAO opinion were: (1) serious financial management problems at the Department of Defense (DOD) that made its financial statements unauditable, **(2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal agencies,** and (3) the federal government's ineffective process for preparing the consolidated financial statements. http://www.gao.gov/financial.html.

[11] National Institutes of Standards and Technology

[12] Federal Information Security Management Act which applies to all systems the federal government uses in its operations.

meet the requirements. For example, the Inspector General of the Department of Homeland Security had the following findings of its security review of OPM and USDA's NFC.[13]

- Page 17, DHS IG finds that neither OPM nor NFC would allow the IG to examine security documents related to systems containing sensitive personal information on DHS employees. *"As part of our original audit scope, we planned to perform security testing to evaluate the effectiveness of controls implemented on all enterprise-wide systems. <u>However, USDA and OPM personnel were reluctant to provide us with access to the information for the systems selected for review</u>, i.e., NFC testing results, connections between NFC and components. The limitations restricted our ability to perform planned security testing. For example, NFC indicated that the agency does not plan to allow other federal agencies to perform security testing on systems that it maintains. Without such access, HCBS cannot ensure that security tests are being performed periodically and that effective controls have been implemented on its human resource systems."*

- Page 18, DHS IG finds that *"<u>DHS cannot guarantee that all applicable security requirements have been met</u> for its human resource systems which are owned and operated by other agencies."*

Specific to OPM's eOPF system, the DHS IG found the following. In case you are not familiar with the acronym, eOPF stands for 'electronic official personnel folder' – this is a big OPM initiative to help it process paperwork associated to retirement actions. An eOPF contains the full history of each federal employee's career as a fed. It contains sensitive information like social security number, salary, promotions, past performance ratings, home address, race/sex/national origin and disability status, and military history and records.

- Page 21, the DHS IG states: *"Specifically, <u>e-OPF has been certified and accredited without all required security documents</u>. In addition, while POA&Ms are being created to track and identify security weaknesses, the <u>corrective actions for one third of the POA&Ms are more than 90 days past due</u>."* A POA&M (pronounced poem) is defined by OMB as: "A plan of action and milestones (POA&M) is a tool that identifies tasks that need to be accomplished. It details resources required to accomplish the elements of the plan, any milestones in meeting the task, and scheduled completion dates for the milestones. The purpose of this POA&M is <u>to assist agencies in identifying, assessing, prioritizing, and monitoring the progress of corrective efforts for security weaknesses found in programs and systems</u>."

- Page 21: the DHS IG finds: *"Our review of the e-OPF certification and accreditation packages revealed that <u>not all of the required security documents</u>*

[13] From the July 2010 Report by the Department of Homeland Security Inspector General titled "Management Oversight and Component Participation Are Necessary to Complete DHS' Human Resource Systems Consolidation Effort"

have been developed." This is another OPM self-certified system like USAJOBS 3.0.

- Page 22, the DHS IG finds: *"Without configuration management plans, program officials cannot ensure that e-OPF has been properly configured and that security patches are applied periodically. Therefore, DHS has limited assurance that the sensitive information of its employees is secured in accordance with applicable policies."*

- Page 22: the DHS IG finds: *"Security weaknesses in e-OPF POA&Ms are not being maintained or mitigated in a timely manner. As of February 22, 2010, the corrective actions for 28 of 110 POA&Ms are more than 90 days overdue. In addition, 21 of these overdue POA&Ms are more than one year past due and four are classified as "critical". Critical security weaknesses should be mitigated in a timely manner to ensure that they cannot be exploited to gain unauthorized access to the system....Without the timely mitigation of POA&Ms, agencies cannot ensure that security weaknesses are properly addressed before they can be exploited. Security weaknesses not mitigated timely may expose the personal data of DHS employees."*

Some of this may seem very technical but the essence of it is simple. DHS found flaws in both OPM and USDA/NFC security sufficient to require corrective action and neither OPM or USDA/NFC would allow DHS access to critical security documents so that DHS could identify whether the systems did, in fact, meet government requirements. In addition, critical security flaws identified by OPM were not addressed in a timely fashion and risked exposure of highly sensitive DHS information.

OPM's conflict of interest remains unfettered. In the private sector, contractors with organizational conflicts of interest (OCIs) are required to disclose them and maintain a stringent firewall between components within a company that provide agencies with consulting services, regarding agency policies and procurements, and those that bid on and deliver these services to the same clients. In fact, laws and governing rules have strengthened the separation of these activities to further ensure policies and procurement actions are not corrupted because the contractor profits by prescribing such policies in a predatory, monopolistic, and illegal manner. As a result of these requirements, many large Federal contractors have recently divested themselves of business units offering such policy and procurement consulting services so that the core of the company can continue to bid on and deliver services to the Federal government.[14]

In contrast, OPM is permitted to continue with its inherent conflict of interest, aggressively engaging in predatory profiteering practices. The purported rationale for this is that OPM is 'helping the government as a whole' and that 'small agencies cannot afford the prices charged by the private sector'. This is gravely flawed logic. In fact,

[14] Notably, companies like Booz Allen Hamilton, Lockheed Martin, and others have recently divested themselves of these consulting units.

agencies using OPM products often pay a low price on entry followed by a very high cost of ownership. OPM has a significantly higher cost of contracting. OPM's own documents[15], disclose a contracting cost of 8% to 12% whereas GSA contracting costs for comparable products and services runs a very lean 0.75%.

OPM products cost three times as much as comparable private sector products to operate and OPM runs an exclusive monopoly providing the services required to support its products. Without abusive oversight authority and corrupting conflict of interest, OPM would have no Federal agency customers at all. The effect of these profiteering diversions is significant – and has deterred it from carrying out its funded and chartered mission.[16]

In total, the elimination of OPM taxes on the agencies it regulates, its conflicted fee for service business, and its tortious interference in contracts seeking lower cost providers, will save the federal government a minimum of $2 billion a year. When the over-staffing in agencies using outdated and inefficient HR and payroll products and services is considered, the resulting savings easily exceed $10 billion per year.
As a result, I believe that it is imperative that Congress not wait to take immediate necessary action while a larger reshaping of OPM and its role is considered. All products and services that OPM forces onto federal agencies are commercially available, in federal-government compliant form, by private companies.[17] Congress needs to get OPM out of the fee for service business, remove all opportunities to exercise its conflict-of-interest market manipulation, and get back to its core mission.

Canary in the Mine: The USAJobs 3.0 Hoax

Symptomatic of the problems with OPM's conflict of interest, as well as its structural flaws as a service provider, is USAJobs 3.0. USAJobs is a job posting site formerly outsourced to Monster for hosting. OPM forces agencies to post all openings to USAJobs despite having no statutory basis for the requirement. The statute requires only that agencies notify OPM when they are recruiting for certain categories of positions. Deceptively linking this project to the Administration's insourcing and hiring process reform initiatives, OPM has created a false framework to justify collecting huge sums of money from the very agencies it regulates, to boost its market share and illegally generated profits.

Because OPM has linked USAJobs to its other product, USAStaffing, it has a serious financial interest in ensuring that it maintains a monopoly on the human resource function in all government agencies. USAJobs generates $30M per year in revenues for OPM. Systems like USAStaffing generate another $850M per year. *This builds into*

[15] OPM's 2006 industry day for its Training and Management Assistance (TMA) contract released a transcript showing the fees OPM charges agencies to use its contract vehicles to procure HR services and solutions.
[16] See also Attachment D: OPM's Mission Corruption.
[17] See also Attachment E: OPM Products v Commercially Available Products

the total of $1.9 billion per year that OPM charges in fees, collected via interagency fund transfers, to build its monopoly on government HR software and services.[18]

The USAJobs 3.0 release, labeled by Al Kamen, Washington Post, as "Obama's Jobs Glitch" and a Wall Street Journal editorial as "Error: USAJobs.gov – And you thought the stimulus didn't work", is the poster child of raging waste and fraud perpetrated by OPM on the taxpayer and, now, citizens seeking federal jobs. The USAJOBS/Facebook page has thousands upon thousands of frustrated citizens seeking jobs commenting on their ordeal. Because OPM fabricated the mandatory USAJobs posting requirement, it was able to coerce all cabinet level agencies into taking down their own careers page and linking it to USAJobs instead. *This has effectively shut down all federal hiring.* Although OPM has stated that some 200,000 applications have been accepted, that number, according to an article in Federal Computer Week, is 62% below what it should normally have and, through a digital sleight of hand, is inflated because USAJobs counts applicants going back into the same job application as a 'new' application.

The shutdown of government hiring costs untold millions. Jobs that are not filled are typically performed in other much more costly ways – whether overtime, compensatory time, contractor back-fill, or leaving the job undone, the cost of unfilled vacancies is significant. Not only is it costing agencies 19% more to use this broken website, it is costing them in many other ways. To quote a Facebook comment:

> *"This is the 13th day in a row that your site has completely failed while I was in the middle of helping a client build or update their resume. your organization's inability to make it work is unacceptable," one user posted Wednesday. "how long are the millions of users forced to use your site going to have to deal with this? how much money wasted? how much productivity lost across the entire country?" – Facebook post by a USAJobs 3.0 user.*

Between Oct. 11 and Oct. 16, users hit the USAJOBS Facebook site to vent with more than 25,000 words of comments, running more than 100 to 1 negative. In the most recent example, job seekers and users of the USAJOBS site were effectively robbed of the opportunity to apply for open positions. One woman said that once she was able to access the USAJOBS site she found out that she was "selected" for a job with the IRS. But when she went to the IRS site, the joke was on her: she had merely met the candidate qualifications. Another gentleman said, *"I find it odd that I receive an email at 3:01 stating that I am qualified for a position and at 3:03, I get one stating that I didn't get selected. I gave my life for this country and inch of my leg. I have both the education and experience, but I continue to watch department heads hire someone's nephew, daughter of a friend, etc. *Shaking my head*"*

OPM estimates it is saving $1M a year for five years by 'insourcing' this jobs board. Not only is this a peevishly pathetic amount to herald as saving taxpayer money, it

[18] OPM's 2012 budget estimates.

contradicts OPM's own report to OMB. Since the launch, OPM has issued misstatements about the accuracy of the site, lots of happy talk about "bumps in the road", and the cost to U.S. taxpayers. OPM's Angela Bailey has put the cost of USAJOBS to taxpayers at $6 million. A look at OPM's Congressional Justification Budget Performance documents for FY2011 and FY2012 begs the question of just how much money has been spent. In the FY2011 documents, OPM has total estimates of $20,916,000 in spending on USAJOBS for 2010 and 2011. The numbers in the 2012 document show an annualized continuing resolution of nearly $18 million and a FY2012 request for another $12 million. On top of that, OPM made each federal agency pay an additional 19 percent in their "annual assessment fees" to raise another $5.8 million.

OPM reported collecting $30M in 2010, $36M in 2011, and estimates another $30M in 2012.[19] The fees it charges are an off the top tax on the agency's appropriation and now equal a $20 per employee tax on agencies. That's per employee, not per job posting. OPM is further adversely impacting operational budgets with its 19% unannounced price increase. Agencies are now scrambling to pull that funding together by taking it from other sources and operations. Only a monopoly can unilaterally force a price increase of this magnitude and only a monopoly can do so when the product is as technologically and operationally troubled as USAJobs.

Agencies pay this tax and then pay OPM even more to use its USAStaffing to assess candidates and fill positions. The cost to post to USAJobs is approximately $165 per hire up from $103 per hire in 2010 – and this is just to post the job on USAJobs. Agencies using USAStaffing have an estimated cost of $5,253 per hire just for the software alone. OPM's USAStaffing software license fees are 313% more than its private sector counterpart systems.

All this is has happened at a time when anyone can post — for free — jobs on many sites like Indeed.com, AvueCentral.com, Resumark.com, Jobspider.com, FlipDog.com and dozens and dozens of others, not to mention using free social media platforms like Facebook, LinkedIn and Twitter.

Here's one reason for the USAJobs 3.0 sanfu. In OPM's Form 300, the IT investment form that OMB requires, this is what they said about the program manager's skills in IT project management:

1. *a. Confirm that the IT Program/Project manager has the following competencies: configuration management, data management, information management, information resources strategy and planning, information systems/network security, IT architecture, IT performance assessment, infrastructure design, systems integration, systems life cycle, technology awareness, and capital planning and investment control.* ***No***
   b. If not, confirm that the PM has a development plan to achieve competencies either by direct experience or education. ***Yes***

[19] OPM's 2012 budget estimates.

This comes under the watch of Director Berry who was quoted in on Federal New Radio, in July 2011[20], as saying that the next pass at the Retirement System Modernization project, which has failed spectacularly time and time again, would be successful this time around. The interview starts with the statement *that "After failing three times to modernize the federal retirement system with the big bang approach, the Office of Personnel Management is taking a new tack that focuses on incremental changes. OPM Director John Berry says it starts with hiring a proven leader to take on the project. "I always believe the most important thing I can do as director is hire good people for these jobs," says Berry during a press conference at IRMCO conference Tuesday… "I hoping I get a superstar who we can put in there [and] who will be an inspirational leader. We reached out broadly across the nation so I'm hoping that this pool will have some really good talent in it."* Apparently, this did not apply to the USAJobs 3.0 project.

Director Berry's claim that the USAJobs site is so "complicated" that OPM should be forgiven for its mistakes draws immediate astonishment from any knowledgeable technologist because USAJobs is, in fact, nothing but a "job board" and could be launched successfully in a matter of weeks by any reasonably capable technology company. Unfortunately, this is typical – all of OPM's products are technologically inferior, reflecting incompetence in technology design, development, and deployment as well as poor quality work in services it provides to federal agencies in what should be its core competence of human resources. If the Committee examines the names and resumes of the leadership of the USAJobs 3.0 project, including the "contributed personnel" by Homeland Security and DoD, it will find a number of individuals who have been part of the leadership of a series of technology project failures. Continuing to staff projects with those who have already demonstrated their inability to get the job done is unforgivable in a technology context of taxpayer commitment of millions of dollars.

But even repeated and consistent failure does not keep OPM from selling technology design, development, evaluation, or deployment services to other agencies. In fact, OPM has directly engaged every federal agency in an evaluation of the agency's HR technology solutions and directly diverted funds that were designated for the procurement of commercial solutions to its own poor quality products. Samples of OPM's marketing and sales process, screen shots taken from OPM's own website at www.OPM.gov – search under 'products' – shows how extensively OPM markets and sells these to the very federal agencies it sets out to regulate. See screen shots in Attachment F.

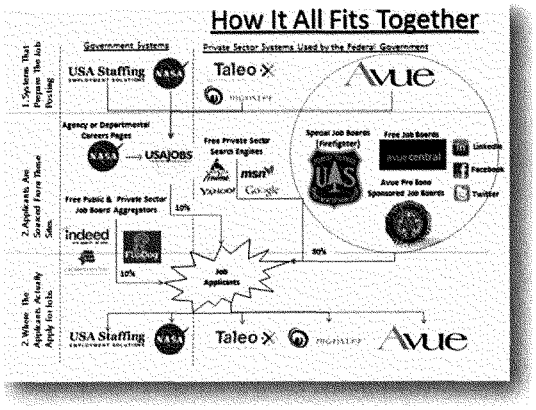
[20] Federal News Radio Interview "OPM Takes Smaller Steps To Modernize Retirement Processes" – Monday, July 18, 2011 by Jason Miller Executive Editor, Federal News Radio

15 Prepared testimony of testimony of Linda E. B. Rix, Co-Chief Executive Officer, Avue Technologies Corporation *Before the* Subcommittee on Oversight Of Government Management, The Federal Workforce, And The District Of Columbia "Uncle Sam Wants You! Recruitment in the Federal Government, Thursday, May 7th, 2009.

Metrics Category	Tuesday October 11	Wednesday October 12
Page Views Per Day		
OPM Initial Estimates of Page Views per Day	40,000,000	68,300,000
OPM Revised Page Views Per Day Released on 11/3/2011	14,000,000	45,000,000
Original Estimate to Revised Actual	35.0%	65.9%
Vistors Per Day		
OPM Initial Estimates of Visitors per Day	2,300,000	2,600,000
OPM Revised Visitors per Day Released on 11/3/2011	360,000	400,000
Original Estimate to Revised Actual	15.7%	15.4%

OPM effectively illuminated its own technology incompetence when it declared that the 3.0 site crashed due to "unprecedented volume." Later, in the November 3, 2011 official press briefing, OPM finally disclosed its true metrics in a complex series of charts designed to confuse rather than clarify. It all proved that volume had nothing to do with the crash. In fact, OPM's public statements include estimates it later found to be 85% under its original pronouncements.

USAJobs is only one source for applicants seeking jobs with any of the hundreds of federal agencies needing to fill them. Avue's client statistics show that 80% or more of the job applicants for federal job postings are sourced through the major job search engines – Yahoo!, MSN, AOL, and Google. Only 10% of all candidates are sourced from USAJobs because, outside of the beltway, few candidates are aware of USAJobs. In addition, free job posting sites like Indeed.com, FlipDog, or the Department of Labor's Career One Stop and its associated state job banks are used more frequently by job candidates and have far more job postings (i.e., 700,000 on Indeed versus 10,000 on USAJobs). [21]



OPM's mission is to protect the federal merit system of employment, not to manage a job website or, for that matter, develop, sell, or promote ANY products or services. It is not surprising that OPM does not have the expertise to effectively handle large technology products – it is not supposed to. According to 5 U.S.C. §§ 3327, "... information concerning opportunities to participate in competitive examinations ...shall be made available to the employment offices of the United States Employment Service. (b) Subject to such regulations ...

[21] See larger view of this diagram in Attachment G.

each agency shall promptly notify the Office and the employment offices of the United States Employment Service of - (1) each vacant position ... for which the agency seeks applications from persons outside the Federal service, and (2) the period during which applications will be accepted."

Department of Labor's Career One Stop is the site which manages individual job banks for each state. Each job bank includes all state and local government as well as private company job postings. Only federal job postings are segregated and posted only to USAJobs. Since each state job bank is used by state employment offices and employment counselors for job search, it makes more sense for job information to be posted to Career One Stop instead of to USAJobs. It uses an existing, functional framework that is operational today and requires nothing more than transmitting that posting information. And, the Department of Labor is appropriated to provide this posting capability –the government duplicates this cost to operate USAJobs.

In addition, there are many free jobs banks, like Indeed and FlipDog, that aggregate all job postings – public and private – into one site for easier access by candidates. OPM should not operate a job posting site. Instead, it should push job posting information out to Career One Stop and other free job posting sites to get maximum outreach and notification about job opportunities in the federal government. Not only would this eliminate the overhead of the annual $20 per employee USAJobs tax, it would save the $150 million in taxpayer dollars over five years for a useless, duplicative job board.

OPM has done nothing to improve the speed of hiring, the quality of the experience for the candidate, or the cost of human resources in the federal government. Instead, it has added layers of duplication, inserted a highly risky single point of failure government-wide, breached its fiduciary role to protect the merit system, and created a technology disaster that shows zero technology competence. OPM is now responsible for the first unintended government-wide hiring freeze. OPM, of three agencies responsible for protecting the Civil Service Merit System, has committed the single largest prohibited personnel practice in history – and put the federal government at risk for class action employment litigation.

It is time for this to end.

Very clearly, OPM prefers profit over policy, proceeds over performance, and cares little what Congress or anyone else thinks of their conflict of interest practice of skimming money off the top from the very agencies it oversees. **Think of it this way, if OPM were the Postal Service, there would be no FedEx. If OPM were the FCC you would still have rotary dial phones. If OPM were Amtrak there would be no airlines. If OPM were a private company, it would be dead.**

We believe that if OPM is to be an active player in providing solutions to the significant challenges facing Federal hiring, it must be required to exit the fee for service business that currently represents over 70% of its funding and 70% of its staff, and return to its core mission. OPM cannot be viewed as an "on the merits" neutral for Federal agencies

17 Prepared testimony of testimony of Linda E. B. Rix, Co-Chief Executive Officer, Avue Technologies Corporation *Before the* Subcommittee on Oversight Of Government Management, The Federal Workforce, And The District Of Columbia "Uncle Sam Wants You! Recruitment in the Federal Government, Thursday, May 7th, 2009.

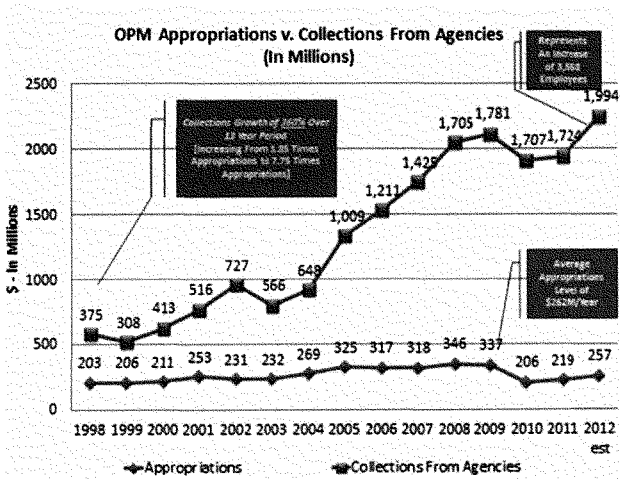
under these circumstances, especially when it is known, for example, to use its audit authority to ensure sales of its outdated USAStaffing software to the very agencies it regulates, or to be widely known as using its fee-based "TMA" contract to help agencies get around applicable competition and outsourcing regulations in exchange for contract fees of 6-12%.

All of this underscores the importance of the work of this Subcommittee and its efforts to improve the processes that underlie the policies we apply to the Federal workforce. HR operations staffs throughout government rely on the combined elements of regulation, oversight, technology, and permissions to produce change. Right now, the regulations need updating and revision, the oversight needs to return in a meaningful way, technology needs to be embraced as the most cost effective means of human capital management and HR leadership needs to be given overt permission to adopt innovation and change business processes to achieve the right results.

In conclusion, I want to again emphasize that USAJobs is the symptom, not the disease. The disease is the entire OPM and similar fee for service operations and until these are ended, the widespread damage to the cost, efficiency, and effectiveness of federal government operations will continue. It is long past time to give those responsible for the budget, efficiency, and effectiveness of their operations to have the corresponding unfettered authority to make their own decisions on the technology systems used in those operations.

On behalf of Avue and the other private sector providers that are desperate to bring innovative and completely cost effective solutions to bear on reducing bureaucracy, and the cost and size of government, I thank the Subcommittee for its time and attention to this critical issue.

Attachment A: OPM's Intragovernmental Fund Transfers and Collections



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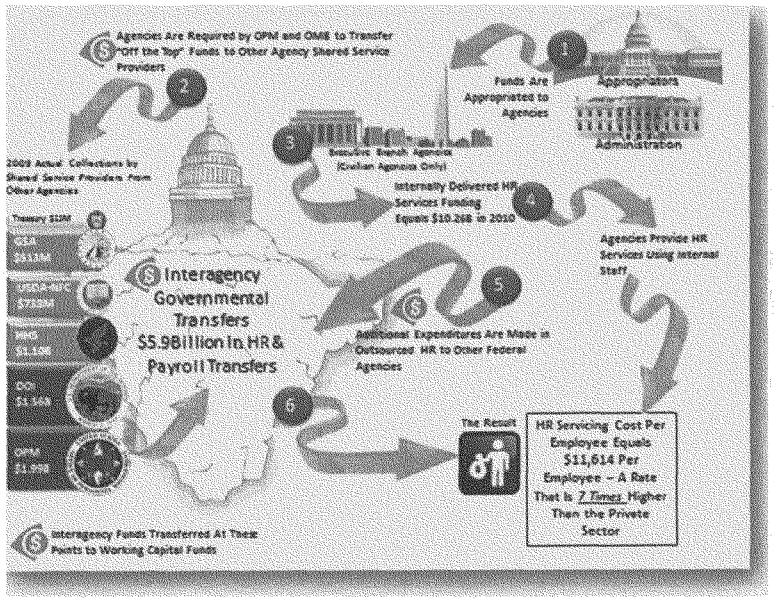
Attachment B: The Flow of Funds



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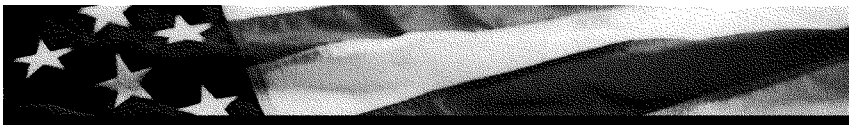

Department of Homeland Security
Office of Inspector General

Management Oversight and Component Participation Are Necessary to Complete DHS' Human Resource Systems Consolidation Effort

OIG-10-99 July 2010

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528

JUL - 1 2010

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the actions DHS has taken and progress made to consolidate components' human resource systems into enterprise-wide solutions to achieve greater efficiencies and cost savings. It is based on interviews with selected management officials and contractor personnel, direct observations, system security vulnerability assessments, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

Richard L. Skinner
Inspector General

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Abbreviations

CBP	Customs and Border Protection
CIS	Citizenship and Immigration Services
DHS	Department of Homeland Security
EIS	External Information System
E-OPF	Electronic Official Personnel Folder
FEMA	Federal Emergency Management Agency
FLETC	Federal Law Enforcement Training Center
HCBS	Human Capital Business Systems
ICE	Immigration and Customs Enforcement
NFC	National Finance Center
NIST	National Institute of Standards and Technology
NPPD	National Protection and Programs Directorate
OCHCO	Office of the Chief Human Capital Officer

OCIO	Office of Chief Information Officer
OCISO	Office of Chief Information Security Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
POA&M	Plan of Action and Milestones
PPS	Pay and Personnel System
TIC	Trusted Internet Connection
TSA	Transportation Security Administration
SaaS	Software as a Service
USCG	United States Coast Guard
USDA	United States Department of Agriculture
USSS	United States Secret Service
WebTA	Web Time and Attendance

OIG

Department of Homeland Security
Office of Inspector General

Executive Summary

As required by the E-Government Act of 2002 and Office of Management and Budget's (OMB) government-wide initiatives, DHS Office of the Chief Human Capital Officer (OCHCO) began the process, in 2005, to consolidate components' existing human resource information systems into five enterprise-wide solutions. We audited OCHCO to determine the progress DHS has made in consolidating its component human resource information systems in its Human Capital Business Systems (HCBS) unit.

DHS has made some progress in consolidating its human resource systems. Specifically, HCBS has successfully migrated components to the Office of Personnel Management's (OPM) Electronic Official Personnel Folder (e-OPF) system and the United States Department of Agriculture's (USDA) National Finance Center (NFC) Pay and Personnel System (PPS). Further, HCBS has taken steps to coordinate with components to identify business requirements and system specifications for the enterprise-wide systems, including EmpowHR, TalentLink and Web Time and Attendance (WebTA).

However, as of February 2010, components have not migrated from their existing systems to all of the enterprise-wide systems. In addition, HCBS has not implemented adequate performance metrics to track the status of the consolidation effort. Further, enhanced communication and system functionality must be improved to help facilitate the migration of components to the department's enterprise-wide systems. In addition, systems have been certified and accredited without all documents and security weaknesses being mitigated timely. Finally, WebTA has not been certified and accredited according to applicable DHS policy.

We are making 11 recommendations to the Chief Human Capital Officer. OCHCO concurred with all of our recommendations and has already begun to take actions to implement them. The department's response is summarized and evaluated in the body of this report and included, in its entirety, as Appendix B.

Background

In 2005, as part of the E-Government Act, OMB implemented a government-wide initiative to eliminate redundancy and increase efficiency in payroll and human resource systems. In response, HCBS led an effort to consolidate components' existing human resource information systems into enterprise-wide solutions aimed at improving security, efficiency, and consistency across the department.

HCBS is responsible for consolidating more than 144 existing component human resource systems into flexible enterprise-wide solutions. While working with components, HCBS is responsible for program management activities, communication and coordination, and integration of information technology tasks for this effort. As part of this initiative, HCBS is in the process of consolidating component human resource systems into five enterprise-wide solutions, including: (1) WebTA, (2) NFC PPS, (3) EmpowHR, (4) TalentLink, and (5) e-OPF system. These systems, which are also used by other federal agencies, support the department with core human resource functions, such as records management, time and attendance, personnel actions, recruitment, and payroll. Figure 1 provides a brief description of each system.

Figure 1-Enterprise-wide Human Resource Solutions

Name	Function	Owner	Description
EmpowHR	Personnel Actions/ Personnel Records	USDA	System interfaces with the NFC's Pay and Personnel System. System functions include creation of new job codes (master records) and positions, reassignments, promotions, and awards.
e-OPF	Personnel Records	OPM	System developed as a management solution to handle official personnel files and simplify employee access to official personnel folders.
NFC PPS	Pay and Personnel	USDA	System used by customer agencies for personnel action processing, position management, benefits processing, payroll, payroll accounting, tax reporting, employee debt management, and reporting.
TalentLink	Recruiting	DHS	System which allows DHS managers and recruiters to facilitate the hiring process.
WebTA	Time and Attendance	DHS	Commercial off-the-shelf system used for time and attendance functions.

Our audit focused on three systems: TalentLink, WebTA, and e-OPF. TalentLink, which is a web-based application, is used by managers, recruiters, and human resource specialists to post job vacancies, select, follow-up and hire potential job applicants. The system is contractor owned and operated and most of the equipment is currently housed at a commercial hosting facility in New York City, New York. According to HCBS personnel, DHS will discontinue the use of TalentLink and switch to a different application in June 2010. WebTA is a web-based, commercial off-the-shelf time and attendance labor solution. The system's functions include electronic approvals, project tracking and activity-base time reporting, on-line leave requests, part-time accrual calculations, year-end leave accruals, rollover and leave transfers. DHS purchased licenses in 2005 and the system is currently hosted by the USDA NFC in Denver, Colorado. The e-OPF system is part of OPM's Enterprise Human Resources Integration initiative. This system provides government employees with direct online access to their official human resource and personnel records.

Due to the sensitive nature of the information stored and processed by these human resource systems, DHS must implement effective controls to protect personal data from potential misuse. According to the United States Government Accountability Office, federal agencies have reported numerous incidents where personally identifiable information was stolen, lost, or improperly disclosed, resulting in loss of privacy and identify theft. To safeguard against stolen or unauthorized disclosure of personal data, OMB requires federal agencies to ensure that proper safeguards are in place to protect personally identifiable information.

Results of Audit

Actions Taken to Implement Enterprise-Wide Human Resource Systems

DHS has taken actions to consolidate and migrate components' human resource systems to the department's enterprise-wide solutions. For example, HCBS has:

- Migrated DHS components to NFC PPS in 2005 and e-OPF in 2008.

- Implemented user and test working groups for DHS components to help identify business requirements and system specifications.

- Certified and accredited TalentLink. Our review of the certification and accreditation package revealed no significant deficiencies.

- Established memoranda of understanding and interconnection security agreements with NFC and OPM to define roles and responsibilities for the management, operation, and security of system connections.

- Implemented effective controls to protect the sensitive data stored and processed by TalentLink. Our security testing revealed only a few areas in need of improvement.

Despite these actions, DHS faces additional challenges with implementing all of the enterprise-wide human resource solutions at its components. For example, many DHS components are reluctant to adopt the department's enterprise-wide solutions. More work remains to ensure that components' existing human resource systems are consolidated into the department's enterprise-wide solutions.

Management Oversight Is Needed to Complete the Consolidation of DHS' Human Resource Systems

DHS has made some progress, but has not completed its human resource system consolidation effort. Senior DHS officials need to provide better guidance and oversight to migrate components to the department's enterprise-wide human resource solutions. Component officials stated that system functionality issues and insufficient communication with HCBS contributed to their reluctance to migrate. Further, DHS has not restricted its external internet connections or maintained an accurate inventory of its human resource systems, preventing the department from achieving its efficiency objectives. Unless these issues are addressed, DHS may not be able to achieve its goal of consolidating and modernizing its human resource systems.

Components Are Reluctant to Implement Enterprise-Wide Systems

As of February 2010, nine DHS components have not completed their migration to WebTA, EmpowHR, or TalentLink.[1] Component officials indicated that some of the enterprise-wide solutions do not satisfy their business requirements and the lack of detailed cost savings information from HCBS has prevented them from migrating. Consequently, components continue to use their existing systems in lieu of the DHS enterprise-wide solutions. Figure 2 summarizes the implementation status for the three systems.

Figure 2-System Consolidation Progress

Components	TalentLink	EmpowHR	WebTA
CBP	Not Started	Not Started	Not Started
CIS	Not Started	Not Started	In progress
FEMA	In progress	Not Started	Complete
FLETC	In progress	Complete	Complete
ICE	In progress	Not Started	Complete
NPPD	In progress	Complete	Complete
TSA	Not Started	Complete	Complete
USCG	Not Started	Complete	Complete
USSS	Not Started	Not Started	Complete

Additional Oversight Is Needed

Prior to January 2010, senior DHS officials had not issued any guidance to components on its human resource consolidation effort. Without the guidance, HCBS could not compel all components to migrate towards the enterprise-wide solutions. As a result, the progress to date

[1] The nine components are Customs and Border Protection (CBP), Citizenship and Immigration Services (CIS), Federal Emergency Management Agency (FEMA), Federal Law Enforcement Training Center (FLETC), Immigration and Customs Enforcement (ICE), National Protection and Programs Directorate (NPPD), Transportation Security Administration (TSA), United States Coast Guard (USCG), and United States Secret Service (USSS)

has been limited as some components are reluctant to migrate to DHS' enterprise-wide human resource systems.

On January 15, 2010, the Deputy Secretary issued a memorandum tasking OCHCO and Office of Chief Information Officer (OCIO) to assemble and integrate a project team to rationalize legacy human resource processes and systems into a department-wide architecture.[2] As outlined in the memorandum, components are prohibited from spending additional funding to purchase new or enhance existing human resource systems without the approval from either OCHCO or OCIO. The issuance of this memo will help HCBS to complete its human resource consolidation effort by providing additional oversight authority over components. For example, as mandated under the E-Government Act of 2002 and OPM's initiatives, HCBS has successfully facilitated the migration of NFC PPS and e-OPF throughout DHS.

The lack of oversight authority over the components has also hindered HCBS' ability to implement the human resource consolidation initiative. For example, HCBS does not have the authority to review components' budgets to ensure that adequate resources are available for the initiative. According to HCBS personnel, some components have not fully engaged in the planning and implementation activities required to complete the initiative. For example, during the formative stages, components are willing to participate and engage in system planning and requirements analysis activities. However, once HCBS begins the implementation and acquisition activities, components often withdraw from the initiative stating that: (1) they are not ready to begin the migration effort, (2) they do not have sufficient resources to support the migration, or (3) the enterprise-wide solutions do not meet their mission or business requirements. In addition, HCBS personnel have stated that leadership changes at OCHCO and components that lead to different management priorities have slowed the migration efforts.

[2] *DHS Enterprise Human Resources Processes, People, and Technology* Memorandum, dated January 15, 2010.

As part of DHS' policy for exchanging and sharing internal information, components are required to standardize the information technology assets used to access, store, process, and manage its information. To achieve this goal, including standardization of its human resources assets, DHS must provide OCHCO with adequate oversight authority; otherwise it will be restricted from consolidating information systems and infrastructure used to support the department's human resource operations.

Performance Metrics

HCBS has not developed adequate performance metrics to track the overall progress of the consolidation effort. Performance metrics are used to evaluate the progress of a program or project and ensure that key milestones and goals are being achieved.

While HCBS has developed performance measures to evaluate the technical performance of the department's enterprise-wide systems, it does not have metrics to track the overall progress of the initiative. For example, HCBS keeps current metrics on security incidents, service desk tickets, and system release data. In addition, HCBS tracks the number of users and components that have migrated to the enterprise-wide solutions on a quarterly basis. However, HCBS has not developed performance metrics to track the status of component requirements, interim tasks, or activities that must be completed to ensure that components successfully migrate to the enterprise-wide systems.

Specific performance metrics can help HCBS track the overall progress of the implementation effort rather than the technical performance of individual systems. Examples of additional performance metrics may include:

- Key requirements, milestones and accomplishments that have or have not been completed.
- Required deliverables or services that have or have not been completed.

- Remaining tasks that must be completed.

Performance metrics aimed at assessing the completion of component implementation requirements or activities will help HCBS personnel monitor the overall progress of the consolidation effort. In addition, such metrics will allow HCBS to determine the areas where additional focus is required.

OMB requires agencies to implement performance metrics for planning, budgeting, and managing federal capital assets. These performance metrics should be used to monitor and compare expected results with actual performance of the project.

Without specific performance metrics, it will be difficult for program officials to determine the overall progress of the project and whether expected results or outcomes have been achieved. In addition, detailed performance metrics will provide DHS with the ability to better monitor the components' implementation progress and identify areas where improvements should be made.

System Functionality and Communication Can Be Improved

Components have cited functionality issues with the enterprise-wide systems and insufficient communication with HCBS as reasons for not migrating to all of the enterprise-wide solutions. For example, some components have identified functionality deficiencies with the enterprise-wide human resource systems, including issues with vacancy announcements and the certification process.[3] In addition, component officials stated that communication with HCBS regarding the consolidation effort could be improved. Specifically, HCBS should identify detailed cost savings to illustrate to components' the potential benefits of migrating to the department's enterprise-wide solutions.

[3] The certification process is used by hiring managers to identify a list of the best qualified applicants that may be considered for a vacancy announcement.

We met with selected personnel from component human resource offices and OCIO to identify possible concerns regarding the consolidation effort. Some components have indicated that the department's enterprise-wide solutions do not satisfy their business requirements and that they have encountered functionality issues with some of the systems. Specifically, FEMA and NPPD have encountered issues with TalentLink and requested to replace the system with another system. FEMA indicated that TalentLink does not consistently post vacancy announcements to USAJobs and contains too many steps in the certification process.[4] This cumbersome process has lengthened the amount of time for human resource staff to develop certificates containing the best qualified candidate lists. Similarly, NPPD stated that hiring managers experienced difficulty in reviewing the certificates of eligible applicants and often found that other critical documents such as resumes were inadvertently being removed from job applications. In addition, NPPD indicated that it takes nearly three times as long to post a vacancy position using TalentLink as in NPPD's current system, USA Staffing. According to HCBS personnel, OCHCO is planning to discontinue the use of TalentLink in June 2010, as the department is participating in an OPM initiative to develop a new recruiting system that better suits federal agencies' needs.

Components also expressed concerns with EmpowHR and stated that they will not implement the system until it is equal to or better in terms of functionality and cost than their current systems. For example, USSS does not plan to adopt EmpowHR until HCBS provides sufficient information to convey the benefits of retiring HRConnect.[5] TSA has also encountered functionality issues when using EmpowHR. For example, when information is edited with a front-end system other than EmpowHR, the data changes will be updated in NFC's mainframe computer but not in EmpowHR's database tables. Consequently, the data stored in the NFC mainframe and EmpowHR's database tables become inconsistent. As a result, dual entries must

[4] USAJobs is an OPM system used to post job openings for the federal government. It interfaces with TalentLink.

[5] HRConnect provides USSS with quick hire staffing solutions and handles personnel transactions.

be performed to correct the discrepancies which results in additional costs and time to TSA.

HCBS personnel said that they have been working with NFC to remediate the deficiencies identified by the components. According to HCBS personnel, they have stopped deploying EmpowHR at components until the deficiencies identified are resolved.

Finally, four components (CBP, NPPD, TSA and USSS) said that HCBS has not communicated effectively or accurately about the potential cost savings of migrating to the enterprise-wide solutions. As a result, components are reluctant to replace their current systems with the department's enterprise-wide solutions until HCBS identifies projected cost savings.

As part of the E-Government Act, agencies are required to make use of information technologies, including the reduction of duplicate and fragmented systems. To meet this requirement and complete the human resource consolidation effort, HCBS must continue to work with components to address the deficiencies in system functionality. In addition, HCBS must convey the detailed cost savings to components and provide them with systems that adequately meet their needs. Unless these tasks are achieved, DHS cannot complete the consolidation effort.

Human Resource System Inventory

HCBS has not identified all human resource systems at the components. Without an accurate inventory of human resource systems, HCBS cannot determine whether components are using redundant systems.

While HCBS maintains a list of the department's human resource systems, it is outdated and inaccurate. According to HCBS personnel, the inventory list has not been updated since 2007. In addition, HCBS officials stated that components are not obligated to respond to HCBS' information requests to update its inventory list of human resource systems. As a result, components provided either limited information or did not respond at all. As of

December 2009, HCBS' inventory list identifies 58 unique human resource systems.

In October 2009, we requested components to identify their human resource systems and to evaluate the accuracy of systems maintained by HCBS. In response, components identified a total of 48 human resource systems. We attempted to verify the information obtained with the system inventory maintained by DHS OCIO. However, the DHS OCIO inventory does not have an identifier to distinguish those systems that process human resource functions, such as records management, time and attendance, personnel actions, recruitment, and payroll functions. Without the identifier, we could not evaluate the accuracy of information obtained. The discrepancy between HCBS' inventory and the responses to our data call is an indicator that DHS cannot account for all of its human resource systems.

Components Maintain Network Connections Outside of DHS Trusted Internet Connections

As of March 2010, 5 components maintained 11 external network connections to NFC that are outside of the DHS trusted internet connections (TIC). These connections provide users with access to personnel systems owned and housed at NFC, including WebTA, EmpowHR, and NFC PPS. Figure 3 provides an overview of the external connections that are maintained by components.

Figure 3-External Connections to NFC

Component	Number of External Network Connections
FEMA	3
TSA	6
CBP/FLETC	1 (shared)
USCG	1
Total	**11**

We attempted to verify the number of connections with NFC and components. However, we were unable to reconcile the differences between the information provided by NFC and the components. According to an HCBS official, DHS does not have adequate visibility over its components' external network

connections. However, HCBS is working with OCIO to consolidate existing component connections.

In November 2007, OMB required agencies to consolidate internet points of presence and reduce external network connections to improve efficiency and security.[6] DHS OCIO aligns OMB's TIC initiative with its OneNet consolidation project.[7] By allowing components to maintain their own network connections to NFC, it contradicts OMB's TIC and DHS OneNet initiatives to improve efficiency and security by reducing the internet points of presence. These connections increase the number of internet points of presence and may pose a security risk to department data if security controls are inadequate.

Recommendations:

We recommend that the OCHCO direct HCBS to:

Recommendation #1: Develop specific performance metrics to help track the overall progress of the consolidation effort.

Recommendation #2: Improve communication and coordination with components to address system functionality issues and convey detailed cost savings for system migration.

Recommendation #3: Work with DHS OCIO and components to identify and track all human resource systems.

Recommendation #4: Coordinate with OCIO to ensure that components comply with OMB TIC and DHS OneNet initiatives to reduce internet points of presence for human resource connectivity.

Management Comments and OIG Analysis

DHS concurred with recommendation 1. OCHCO indicated that, with the change in leadership and direction, it is currently revising the OMB Exhibit 300, operational plan, and program metrics.

[6] OMB memorandum 08-05, *Implementation of Trusted Internet Connections*, dated November 20, 2007.
[7] The purpose of OneNet is to consolidate and standardize a network architecture and improve cost effectiveness across the enterprise. OneNet will eventually integrate with component wide area networks to reduce the number of fragmented component networks and provide DHS with a secure, in-house global communications solution with centralized management and configuration capabilities.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

DHS concurred with recommendation 2. In its response, OCHCO indicated that project teams are working with component functional experts to define and develop requirements. Furthermore, HCBS is currently reworking the intake and change control process to better accommodate changes and requests in real-time. Improved metrics capability will also enhance OCHCO's ability to consistently deliver cost data during different stages of the project. Finally, a strategic Human Resources Information Technology Council is also being established to improve communication and component feedback.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

DHS concurred with recommendation 3. OCHCO responded that it will work with OCIO to create a unique identifier within the department's system inventory tool to identify human resources systems.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

DHS concurred with recommendation 4. In its response, OCHCO indicated that OCHCO and OCIO are working with components to determine the business requirements and bandwidth usage, and to identify and implement the appropriate type and set of DHS OneNet connections that are required to process NFC payroll and personnel transactions.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

Enhancements Can Be Made to TalentLink's Technical Controls

Overall, the controls implemented on TalentLink were effective to protect the sensitive data stored and processed by the system. Our evaluation included testing for vulnerabilities on the database and selected servers and network devices for compliance with DHS guidance. In addition, we manually reviewed system configurations and interviewed system administrators on system management processes. Our security testing and analysis revealed that improvements can be made to administrator account management, system management procedures, and configuration settings. DHS needs to address these issues to reduce the security risks to its human resource systems.

Administrator Accounts are Inadequately Managed

DHS has not implemented effective controls on administrator accounts to ensure that they are granted with the least privileges to perform their job functions. In the event of a security incident, the scope of potential damage to the system increases as users are granted excessive access privileges. A security incident targeting an administrator account might include an authorized user abusing his or her access or exploitation from an outsider gaining unauthorized control of an account. For example:

- Administrators' connections to servers are not timed out after more than 30 minutes of inactivity. In most cases, these accounts are not locked out until after 60 minutes or 24 hours of inactivity. According to system administrators, this extended log-in time is needed to keep administrative tasks active for extended periods of time, such as file transfers to the logging server. An HCBS official indicated that the system is intentionally misconfigured for the convenience of administrative tasks. OMB requires that remote users accessing personally identifiable information be re-authenticated after 30 minutes of inactivity. DHS requires that user sessions be terminated after 60 minutes of inactivity to protect sensitive data.

- The Oracle remote login password file is in use, which allows remote administrators to automatically authenticate to the database without entering username and password. According to an HCBS official, this is an oversight that the remote login

password file is still in use. DHS requires that the Oracle remote login password file be disabled to enforce server-based authentication of users connecting to the database.

- Six accounts have been granted the elevated CREATE ANY LIBRARY privilege in the Oracle database, while there are only two database administrators for TalentLink. The CREATE ANY LIBRARY privilege allows an Oracle user to define a library, or code and data. An attacker could use it to access the operating system. HCBS officials could not provide an explanation why the other four accounts were granted the elevated privilege. Database administrators are granted privileges to create new databases and alter and delete data. DHS requires that access permissions including CREATE ANY LIBRARY be restricted to database administrators. Further, DHS requires that users' access be restricted to the least privilege to perform job duties.

Elevated access to system resources and data should be limited and managed appropriately. Without effective measures to restrict access to servers and sensitive data, DHS may be at risk of an individual engaging in fraudulent or malicious behavior resulting in unauthorized alteration, loss, unavailability, or disclosure of information.

Patch and Privileged Account Management Processes

The procedures for patch management and privileged account management processes have not been developed for TalentLink. DHS requires that a policy be developed to define the roles and responsibilities of the patch management process and deployment status. DHS also requires that user access be documented in access control policies and procedures. Both tasks are controlled by HCBS personnel who considered formal, step-by-step directions unnecessary.

Documenting processes will help personnel identify, understand, and consistently implement requirements, minimizing the risk of human error. In the event of staffing or contract changes, patching and privileged account management processes may be neglected due to lack of documented procedures. Unmanaged privileged accounts and missing patches leave the system at risk of user abuse and external cyber attack.

Process for Destruction of Personally Identifiable Information Extracts

HCBS has not implemented a process for destroying computer-readable personally identifiable information extractions. Specifically, TalentLink allows users to extract personal information in the form of reports on various hiring statistics and information. OMB requires that agencies ensure computer-readable data extracts that contain personally identifiable information be erased within 90 days or when no longer needed. However, HCBS staff considers that it would be infeasible to ensure that all personal information extractions are erased as users are spread throughout DHS and cannot operate without reports.

Enforcing the destruction of personally identifiable information extractions helps reduce the amount of sensitive data that is physically removed from department locations or that is accessed remotely. Destroying extracts also prevents misuse of sensitive data.

Database and Server Configuration

The TalentLink Oracle database and servers are not configured according to DHS policy. We identified deficiencies in configuration settings that may lead to unauthorized misuse of sensitive data. Specifically:

- Audit trails are not enabled on the Oracle database to track user account activity. DHS requires that audit trails be enabled to capture detailed user activity records in the database. User access, use of system privileges, and changes to the database should be logged to help investigate and reconstruct future security incidents.

- A contractor's warning banner is used instead of the required DHS banner during server logins. DHS requires that a specific login warning banner be displayed when connecting to a system to remind users of their responsibilities in using government-owned equipment.

- A high-risk vulnerability that has been identified since 2004 was found on an application server. The JBoss software running on the application server is configured in a way that

allows unauthenticated access to certain administrative functions of the software.[8] A remote attacker could exploit the vulnerability to disclose sensitive information or take control of JBoss. DHS requires that software patches be applied in a timely manner to protect the system from known exploits.

Audit trails are essential to the investigation and reconstruction of security incidents. In particular, access to personal data in the Oracle database should be closely tracked, with all actions tied to individual users. The lack of audit trails combined with excessive privileges granted to database users puts the system at significant risk of data misuse. Violations could go unnoticed or may not be traceable to individual users once discovered.

Memorandum of Agreements With Other Agencies

While HCBS has established memorandum of agreements with NFC and OPM, the agreements do not contain terms that will allow DHS and OIG unrestricted access to system specific resources, such as vulnerability scan results, appropriate technical staff, and information related to system connections between NFC and DHS. Unrestricted access to the information is essential to verify that effective controls have been implemented on DHS' human resource systems that are owned and operated by other agencies.

As part of our original audit scope, we planned to perform security testing to evaluate the effectiveness of controls implemented on all enterprise-wide systems. However, USDA and OPM personnel were reluctant to provide us with access to the information for the systems selected for review, i.e., NFC testing results, connections between NFC and components. The limitations restricted our ability to perform planned security testing. For example, NFC indicated that the agency does not plan to allow other federal agencies to perform security testing on systems that it maintains.

Without such access, HCBS cannot ensure that security tests are being performed periodically and that effective controls have been implemented on its human resource systems. Unless HCBS revises its existing memoranda of agreement to include the provisions for unrestricted access to system specific information,

[8] JBoss is a software framework for an application server that supports Java application development.

DHS cannot guarantee that all applicable security requirements have been met for its human resource systems which are owned and operated by other agencies.

Recommendations:

We recommend that the OCHCO direct HCBS to:

Recommendation #5: Develop policies for patch management, privileged account management, and the destruction of personal data extracts for TalentLink.

Recommendation #6: Restrict TalentLink administrator access permissions by granting the least privileges needed to perform job functions in accordance with applicable OMB and DHS policy.

Recommendation #7: Configure TalentLink's database and servers according to DHS policy.

Recommendation #8: Revise existing memoranda of understanding with other agencies to ensure that system specific information is available to HCBS and the OIG.

Management Comments and OIG Analysis

DHS concurred with recommendation 5. OCHCO commented that, due to the Software as a Service (SaaS) provision of TalentLink, the patch management and privileged account management processes are owned by the application provider. HCBS reviewed these processes and validated they were consistent with DHS requirements. However, to be consistent with DHS policy, OCHCO concurred that HCBS should have drafted TalentLink-specific patch management and privileged account management SOPs and utilized the application provider documents as the basis. Since OCHCO will discontinue the use of TalentLink in June 2010, HCBS does not plan to create a Plan of Action and Milestones (POA&M) to develop policies for a system that will soon be retired.

Regarding personal data extracts, OCHCO responded that while the protection of computer-readable extracts containing personally identifiable information was incorporated in DHS guidance before TalentLink went live, the implementation directive was not

published until July 31, 2009. Thus, HCBS was not able to complete a thorough analysis to determine what computer-readable extracts (routine or ad hoc) would be utilized by the system prior to the decision to decommission the system. All users of the system are required to complete annual Computer Security Awareness Training and Privacy Training, so users are trained in the proper handling of personally identifiable information.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

DHS concurred with recommendation 6. Regarding the Administrator's Connections and Oracle Remote Login Password File, OCHCO responded that due to the SaaS provision of this system, certain configurations are beyond the control of DHS. OCHCO was aware of this issue, but the application provider was not willing to change the settings as it would cause undue burden on the application's operating capability. Due to the fact that the TALENTLink system is being decommissioned and will be shut-down on June 26, 2010, HCBS does not plan to create a POA&M to correct the deficiency.

Regarding the elevated Oracle Accounts, OCHCO responded that there are a total of eight accounts, comprised of two database administrators and six users, with the "CREATE ANY LIBRARY" privilege. The six user accounts must exist on each of the application provider databases so that the application can be operated correctly and, since the six users do not require full database administrator access, limiting these accounts to this privilege is actually more restrictive and in-line with the concept of Least Privilege. The alternative would be to grant these six users full DBA access, but this would give them more privileges than required.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

DHS concurred with recommendation 7. Regarding the audit trails and warning banner findings, OCHCO responded that due to the

SaaS provision of TalentLink, certain configurations are beyond the control of DHS. Although the Oracle Hardening guide is not strictly adhered to, there are other tracking capabilities built into the application to allow auditing. Additionally, although the proper warning banner is not provided when logging on locally to the server, the proper DHS warning and privacy banners are provided for all users and candidates accessing the system. According to OCHCO, HCBS was aware of these issues, but the application provider was not willing to change the settings because it would cause undue burden on the application's operating capability. Since OCHCO will discontinue the use of TalentLink in June 2010, HCBS does not plan to create a POA&M to correct the deficiencies for a system that will soon be retired.

Regarding the JBoss vulnerability, OCHCO commented that the weakness was identified prior to the OIG scan. Subsequently, a new system build was subsequently required for TalentLink. However, the new system build was not consistently deployed prior to the OIG scan. The vulnerability has since been remediated in all zones.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

DHS concurred with recommendation 8. OCHCO responded that while OCHCO agrees with the intent of the recommendation, DHS policy does not support the performance or security testing on another agency's IT systems. Based on DHS policy, the connection is to be well-documented with emphasis on the responsibilities of the two organizations including maintaining a valid authority to operate, incident reporting, training and awareness, etc. OCHCO will include specific language in future Memoranda of Agreement/Understanding to document mutual responsibility and roles for security systems.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

Certification and Accreditation Deficiencies Identified in Human Resource Systems

HCBS has not ensured that all OMB and DHS security requirements are met on its enterprise-wide human resource systems. Specifically, e-OPF has been certified and accredited without all required security documents. In addition, while POA&Ms are being created to track and identify security weaknesses, the corrective actions for one third of the POA&Ms are more than 90 days past due. Further, WebTA has not been certified and accredited in accordance with applicable DHS policy.

Certification and Accreditation Documentation is Incomplete

Our review of the e-OPF certification and accreditation packages revealed that not all of the required security documents have been developed. For certification and accreditation purposes, OPM divided e-OPF into: (1) a front end application, (2) the Chantilly Scanning Facility, and (3) the Ashburn Data Center systems. We reviewed the accreditation packages for the e-OPF front-end application and Chantilly Scanning Facility for compliance with applicable OMB and National Institute of Standards and Technology (NIST) guidance. Configuration management plans were not developed for either system. Configuration management plans provide guidance to ensure that any subsequent change to a system is approved and that all recommended and approved security patches are properly installed.

Agencies are required to certify and accredit their systems in accordance with OMB and NIST guidance, including all security artifacts. Certification and accreditation requirements must also be satisfied for systems owned and operated by outside agencies or contractors.

According to HCBS officials, they have tried to maintain appropriate adherence to certification and accreditation standards for systems that are owned and operated by contractors including e-OPF, WebTA, and TalentLink. However, they have had difficulty in performing continuous monitoring functions, detailed reviews, and yearly site visits on contractor systems due to limited staffing. Further, HCBS relies solely on its yearly site visits to

ensure that human resource systems comply with certification and accreditation package protocol and guidance.

Without configuration management plans, program officials cannot ensure that e-OPF has been properly configured and that security patches are applied periodically. Therefore, DHS has limited assurance that the sensitive information of its employees is secured in accordance with applicable policies.

Security Weaknesses Are Not Being Mitigated In a Timely Manner

Security weaknesses in e-OPF POA&Ms are not being maintained or mitigated in a timely manner. As of February 22, 2010, the corrective actions for 28 of 110 POA&Ms are more than 90 days overdue. In addition, 21 of these overdue POA&Ms are more than one year past due and four are classified as "critical". Critical security weaknesses should be mitigated in a timely manner to ensure that they cannot be exploited to gain unauthorized access to the system.

Agencies are required to create POA&Ms for all known security weaknesses that cannot be immediately mitigated. In addition, POA&Ms are part of the continuous monitoring process to ensure that security weaknesses are mitigated timely. Further, OMB requires POA&Ms be prioritized in varying levels of criticality depending on how management categorizes the weakness in order to efficiently and effectively protect systems.

Without the timely mitigation of POA&Ms, agencies cannot ensure that security weaknesses are properly addressed before they can be exploited. Security weaknesses not mitigated timely may expose the personal data of DHS employees.

WebTA Has Not Been Certified and Accredited in Accordance with DHS Policy

As of March 2010, WebTA had not received the authority to operate in accordance with DHS policy. For Federal Information Security Management Act reporting purposes, the Office of Chief Information Security Officer (OCISO) reviews accreditation packages for all systems in the systems inventory for compliance with applicable DHS and NIST guidance. Without the OCISO's validation of certification and accreditation artifacts, a system operates without authority.

WebTA was originally certified and accredited by NFC in October 2006. In August 2009, HCBS and NFC agreed that DHS should certify and accredit the system as the department owns the WebTA licenses and data. Specifically, HCBS purchased the license for WebTA in 2005 for $1,000,000 and pays the annual maintenance cost of $802,000.[9] Subsequently, the WebTA authorizing official certified and accredited the system in October 2009.[10] However, security personnel from the Management Directorate disagreed with the assessment and removed WebTA from DHS OCIO's systems inventory in October 2009. Security personnel from the Management Directorate indicated that DHS does not have control over WebTA because it is hosted on NFC's infrastructure, preventing them from performing detailed tests or configurations. As a result of WebTA's exclusion from DHS' system inventory, OCISO has not recognized the system's authority to operate. However, this exclusion is not justified. WebTA should be included in OCIO's system inventory because the department owns the WebTA license and is responsible for protecting the personal data of its 180,000 employees.

According to DHS inventory guidance, a system's owner is based primarily on system ownership and funding, which HCBS is responsible for since the deployment of the system. According to applicable OMB and DHS guidance, information systems are to be accounted for in agencies' inventory and must be authorized to operate.

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[9] Annual maintenance estimate was determined by averaging DHS' WebTA maintenance cost over a five-year period.

[10] An authorizing official assumes responsibility for operating an information system at an acceptable level of risk.

Recommendations:

We recommend that the OCHCO direct HCBS to:

Recommendation #9: Establish a process to ensure that all contractor owned and operated human resource systems are certified and accredited according to applicable OMB and NIST guidance. In addition, all required security documents must be developed according to applicable OMB and NIST guidance, and security weaknesses identified must be mitigated timely.

Recommendation #10: Strengthen the department's monitoring oversight of POA&Ms for non-DHS human resource systems.

Recommendation #11: Certify and accredit WebTA to operate according to applicable OMB, NIST, and DHS guidance.

Management Comments and OIG Analysis

DHS concurred with recommendation 9. According to OCHCO, the human resources systems cited in the report are considered External Information Systems (EIS). These systems are managed by another government agency and are provided as a paid service for DHS use. The responsibility for performing certification and accreditation on these systems is solely that of the host government agency. OCHCO will strengthen the Memorandum of Agreements/Understanding between the other government agencies to clearly delineate the responsibility for the systems to be squarely on the host government agency and that results are available to OCHCO.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

DHS concurred with recommendation 10. OCHCO responded that the human resources systems cited in the report are considered EIS. These systems are managed by another government agency and are provided as a paid service for DHS use. The responsibility for security and management of these systems is solely that of the host government agency. The POA&M deficiencies noted in this report are not DHS specific, and OPM has made significant

progress in closing more than 100 POA&Ms noted during prior year assessments of the systems.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

DHS concurred with recommendation 11. OCHCO responded that WebTA is currently being recorded in the OCIO inventory as an EIS. The system is managed by USDA as part of their mandate to be a provider of this type of service for other government agencies. The responsibility for security and management of this system is clearly delineated as USDA's responsibility. However, OCHCO noted that HCBS must decide whether to accept the NFC line of software codes. The decision will determine whether NFC or DHS should assume the ownership as well as the responsibility to certify and accredit the system. Currently, HCBS is working with OCIO to have the issue resolved.

We agree that the steps that DHS is taking, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until DHS provides documentation to support that all planned corrective actions are completed.

Appendix A
Purpose, Scope, and Methodology

The objective of our review was to determine whether DHS has developed a program to improve the efficiency, effectiveness, and consistency of its human resource systems. Specifically, we determined whether: (1) DHS has developed an adequate strategy to consolidate components' existing human resource systems into an enterprise-wide solution; (2) DHS has implemented effective physical and system security controls to protect sensitive information stored and processed by its human resource systems; and (3) the enterprise-wide system, including those owned and operated by other agencies, were certified and accredited in accordance with applicable guidance.

We interviewed selected personnel from DHS OCHCO, USDA NFC, major components, Department of the Treasury Bureau of Public Debt in Parkersburg, West Virginia and at one contractor facility in New York City, New York. Further, we reviewed and evaluated DHS' security policies and procedures, system project plans, technical descriptions, certification and accreditation packages, and other appropriate documentation. In addition, we reviewed USDA's *Statement on Auditing Standards No. 70 Report on National Finance Center General Controls - Fiscal Year 2009* to ensure NFC systems were certified and accredited and no major deficiencies were identified. We used software tools, Nessus and DBProtect, to detect, analyze, and evaluate the effectiveness of the security controls implemented on selected human resource systems to identify known security vulnerabilities and evaluate whether systems are properly configured in accordance with applicable guidance. Due to limitations for systems owned and operated by other agencies, we only performed security testing on TalentLink.

We conducted this audit between October 2009 and April 2010 according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Major OIG contributors to the audit are identified in Appendix C. The principal OIG points of contact for the audit are Frank W. Deffer, Assistant Inspector General, Information Technology Audits, at (202) 254-4100, and Chiu-Tong Tsang, Director, Information Security Audit Division, at (202) 254-5472.

Appendix B
Management Comments to the Draft Report

Office of the Chief Human Capital Officer
U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

MEMORANDUM FOR: Richard L. Skinner
Inspector General

FROM: Jeffrey R. Neal
Chief Human Capital Officer

SUBJECT: Response to OIG Draft Report - *Management Oversight and Component Participation are Necessary to Complete DHS Human Resources Systems Consolidation Effort – FOUO*

This memorandum responds to the Office of Inspector General (OIG) draft report entitled, *Management Oversight and Component Participation are Necessary to Complete DHS Human Resources Systems Consolidation Effort – FOUO*, dated April 2010. I concur with the 11 recommendations outlined in the report. The following response outlines actions to address these recommendations.

One of the systems which was reviewed during this audit, TALENTLink, is being decommissioned effective 26 June 2010. This action was taken at my direction. The Department is partnering with OPM on future enterprise hiring system solutions.

Recommendation 1 - Concur
With the change in leadership and direction, the Office of the Chief Human Capital Officer (OCHCO) is currently revising the OMB 300, operational plan, and program metrics.

Recommendation 2 - Concur
Project teams work with functional experts from components to define and develop requirements. The Human Capital Business Systems (HCBS) team of OCHCO is currently reworking the intake and change control process to better accommodate changes and requests in real-time. Improved metrics capability (from #1, above) will also improve our ability to consistently deliver cost data at all stages of the project. A strategic HRIT council is also being established to improve communication and component feedback.

Recommendation 3 - Concur
OCHCO will continue to work with OCIO to create a unique identifier within the Department's Inventory Tool to specify human resources systems.

Recommendation 4 - Concur
OCHCO and OCIO, to include DHS OneNet, have agreed to work with DHS components to determine business requirements, bandwidth usage, and to identify and implement the appropriate

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type and set of DHS OneNet MPLS VPN connections required for National Finance Center payroll and personnel processing.

Recommendation 5 - Concur
Patch Management & Privileged Account Management SOPs: Due to the Software as a Service (SaaS) provision of this system, Patch Management and Privileged Account Management processes are owned by the application provider. DHS reviewed these processes and validated they were consistent with DHS requirements. However, to be consistent with DHS policy, HCBS should have drafted TALENTLink-specific Patch Management and Privileged Account Management SOPs and utilized the application provider documents as the basis. Due to the fact that the TALENTLink system is being decommissioned and will be shut-down on 26 June 2010, we do not recommend the creation of a POA&M.

PII Data Extracts: Although protection of computer-readable extracts containing SPII was incorporated in DHS guidance before TALENTLink went live, the implementation directive was not published until 31 July 2009. Thus, HCBS was not able to complete a thorough analysis to determine what CREs (routine or ad hoc) would be utilized by the system prior to the decision to decommission the system. All users of the system are required to complete annual Computer Security Awareness Training and PII Training, so users are trained in the proper handling of PII.

Recommendation 6 - Concur
Administrator's Connections and Oracle Remote Login Password File: Due to the SaaS provision of this system, certain configurations are beyond the control of DHS. We were aware of this issue, but the application provider was not willing to change the settings because it would cause undue burden on the application's operating capability. Due to the fact that the TALENTLink system is being decommissioned and will be shut-down on 26 June 2010, we do not recommend the creation of a POA&M.

Elevated Oracle Accounts: There are a total of eight accounts, comprised of two DBAs and six users, with the "CREATE ANY LIBRARY" privilege. The six user accounts must exist on each of the application provider databases so that the application can be operated correctly and, since the six users do not require full DBA access, limiting these accounts to this privilege is actually more restrictive and in-line with the concept of Least Privilege. The alternative would be to grant these six users full DBA access, but this would give them more privileges than required.

Recommendation 7 - Concur
Audit Trails and Warning Banner: Due to the SaaS provision of this system, certain configurations are beyond the control of DHS. Although the Oracle Hardening guide is not strictly adhered to, there are other tracking capabilities built into the application to allow auditing. Additionally, although the proper warning banner is not provided when logging on locally to the server, the proper DHS warning and privacy banners are provided for all users and candidates accessing the system. We were aware of these issues, but the application provider was not willing to change the settings because it would cause undue burden on the application's operating capability. Due to the fact that the TALENTLink system is being decommissioned and will be shut-down on 26 June 2010, we do not recommend the creation of a POA&M.

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JBoss Vulnerability: This vulnerability was identified prior to the OIG scan; however, a new build was required and not all zones received the new build prior to the scan. The vulnerability has since been remediated in all zones.

Recommendation 8 - Concur
Although we agree with the intent of the recommendation, DHS policy does not support the performance or security testing on another agency's IT systems. Based on DHS policy, the connection is to be well-documented with emphasis on the responsibilities of the two organizations including maintaining valid ATO, incident reporting, training and awareness, etc. OCHCO will include specific language in future Memoranda of Agreement/Understanding to document mutual responsibility and roles for security systems.

Recommendation 9 - Concur
The HRIT systems cited in the report are considered External Information Systems (EIS). These systems are managed by another government agency and are provided as a paid service for DHS use. The responsibility for Certification and Accreditation (C&A) of these systems is solely that of the host government agency. OCHCO will strengthen the Memorandum of Agreements/Understanding between the other government agencies to clearly delineate the responsibility for the systems to be squarely on the host government agency and that results are available to OCHCO.

Recommendation 10 - Concur
The HRIT systems cited in the report are considered EIS. These systems are managed by another government agency and are provided as a paid service for DHS use. The responsibility for security and management of these systems is solely that of the host government agency. The POA&M deficiencies noted in this report are not DHS specific, and OPM has made significant progress in the closure of over 100 POA&M items noted during prior year assessments of the EHRI systems.

Recommendation 11 - Concur
WebTA is currently being recorded in the OCIO inventory as an EIS. The system is managed by the U.S. Department of Agriculture (USDA) as part of their mandate to be a provider of this type of service for other government agencies. The responsibility for security and management of this system is clearly delineated as a USDA responsibility. However, DHS must decide to accept the NFC line of code where NFC would then own the C&A responsibility or DHS must own the system and accept the C&A responsibility. HCBS staff is currently working this issue with OCIO.

Thank you for the opportunity to work with your staff on this Audit. Should you have any questions, please call me at (202) 357-8151, or your staff may contact Vince Micone, Chief of Staff, at (202) 357-8408.

cc: Chief Information Officer

Appendix C
Major Contributors to this Report

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Appendix D
Report Distribution

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Deputy Director, Compliance and Technology Information Security Office
Information System Security Manger, ITSO, Headquarters Services Division
Audit Liaison, OCIO
Director, GAO/OIG Liaison Office

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate

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- Email us at DHSOIGHOTLINE@dhs.gov; or
- Write to us at:
  DHS Office of Inspector General/MAIL STOP 2600,
  Attention: Office of Investigations - Hotline,
  245 Murray Drive, SW, Building 410,
  Washington, DC 20528.

The OIG seeks to protect the identity of each writer and caller.

Attachment D: OPM's Mission Corruption

What OPM Isn't Doing...	Why It Should...	Who Does It Now...
Providing an accurate comparison of federal employee pay to private sector pay rates.	By law, private pay rate comparisons provide the means by which federal employee pay is adjusted up or down to maintain pay parity with the private sector.	Various government watchdog groups and unions.[22]
Conducting fair and transparent oversight in regulatory matters, particularly Veterans Preference.	Veterans Preference and other regulatory oversight functions are key to holding the Government accountable for enacting laws passed specifically to govern veterans in Federal employment.	The Courts, the Office of Special Counsel, unions, and the Merit Systems Protection Board.[23]
Ensuring Federal employee health benefits coverage is the most cost-effective, especially given the buying power of the Government.	Health benefit costs for Federal employees and retirees are a significant burden, on a per capita basis, for every employee hired and retired.	No one. Note: Since same-sex couples have been added to the Federal health benefits coverage, an estimated $20M a year has been added to this expense.
Efficiently conducting background investigations on new hires, employees, and contractors.	Agencies spend more on the background investigation process than any other part of the hiring process (OPM charges approximately $3,200 per hire) and the antiquated nature of this process effectively delays hiring or putting to work new hires, as well as deploying contractors, by as much as a year.	Some agencies have delegated authority to carry out this function. It is largely performed by contractors on behalf of the government today. OPM should delegate this to agencies directly and get out of the middle, eliminating unnecessary costs. OPM forces agencies to use its outmoded technology, refusing to allow private companies to interface with it.
Efficiently processing retirement claims.	OPM has led a series of disastrous projects, and wasted hundreds of millions over the past decade, to 'modernize' the retirement system claims processing.	Private sector companies offer in-production, and completely Federalized, offerings at nowhere near the costs of these custom-software builds OPM attempts.
Cutting costs by streamlining regulations, allowing market-based price competition, and eliminating unnecessary program reporting requirements.	Agencies spend significant labor hours reporting to OPM as well as following torturous, outdated, and inefficient processes dictated by OPM and embedded in the technology products it offers. OPM protects fees charged by Federal payroll providers despite competitive industry fees of 50-60% less.	Private companies providing more efficient returns on taxpayer dollars are the target of OPM's non-competitive practices. In addition, OPM directs contracts to other Federal high-cost service providers by dictating what services agencies may buy and from whom. Services under the HR Line of Business function are a good example of this practice.[24]

[22] These include the CATO Institute, with significant press coverage by USA Today, and the Project on Government Oversight, as well as Federal employee unions.

[23] Because OPM has compromised its oversight role, adversely affected veterans now must pursue independent actions which are costly, span a decade or more, and affect the lives and employment opportunities of thousands of service members. Unemployment and homelessness among veterans has reached crisis levels. Many have the critical skills the Federal government can put to use immediately.

[24] A good example is the Human Resources Line of Business (HRLOB) initiative started under the Bush Administration's E-Government initiative. Private companies (there are three – IBM, Accenture, and Avue Technologies) that competed, were certified by an interagency panel of 25 agencies (including GSA, OMB, and OPM), and have been awarded GSA HRLOB Federal Supply Schedules, cannot compete against Federal HRLOB providers because OPM and OMB will not permit these private companies to enter into or offer alterative lower-cost services to the Federal government. OPM's reasoning is that the Federal product and service providers would be eliminated because they cannot compete from a cost standpoint, i.e., private sector rates for payroll processing are 50-60% less than rates charged by Federal payroll processors.

22 Prepared testimony of testimony of Linda E. B. Rix, Co-Chief Executive Officer, Avue Technologies Corporation *Before the* Subcommittee on Oversight Of Government Management, The Federal Workforce, And The District Of Columbia "Uncle Sam Wants You! Recruitment in the Federal Government, Thursday, May 7th, 2009.

Attachment E: OPM Products v Commercially Available Products

Type of Product	OPM Product	Commercially Available?
Job Board, Aggregates Job Postings Into One Site	USAJobs*	Yes
Talent Management Systems (Takes in Applicants, Assesses Qualifications, Prepares Ranked Lists for Hiring Managers to Make Selections From)	USAStaffing*	Yes
Online Training Management and Online Training Courses	GoLearn*	Yes
Background Investigations Forms Processing Systems	eQUIP	Yes
Background Investigations Adjudication	Investigations Services	Yes
Employee Self-Service	Employee Express*	Yes
Retirement Benefits Calculator	RetireEZ*	Yes
Occupational Analysis	HR Manager*	Yes
Position Classification and Job Description Development	Classification Services*	Yes
Job Posting and Referral List Generation	Staffing Services*	Yes
Nationwide Applicant Testing	Nationwide Testing Administration*	Yes
Software Implementation Services	Managing HR Systems Technology*	Yes
IT Consulting Services	HR Systems Design and Development*	Yes
Surveys	Survey Services*	Yes
Organization Design	Organizational Design Services*	Yes
Workforce Reshaping	Restructuring, Downsizing & Outplacement Services*	Yes
Performance Management	Performance Management and Organizational Development*	Yes
Succession Planning	Workforce and Succession Planning*	Yes
Executive Development	Educating and Developing Leaders*	Yes
Total 2012 Budgeted Revenues: $1,944,536,000[25]		
*Total HR Solutions Revenues = $850,381,000		

[25] From OPM's FY2012 Budget CBJ Submission, February 2011

Managing HR Systems Technology

HR Systems Technology

- Other Products & Services
- Purchasing Products & Services
- Contact Us

The OPM Center for Talent Services--Technical Services Group (TSG) assists agencies in implementing effective HR systems, including Web-based solutions for applicant assessment and staffing and employee and annuitant benefits. The TSG has been applying technical innovation to the HR arena for more than twenty years, pushing the cutting edge of technology in developing, managing, and operating sophisticated enterprise systems for the Government. The TSG can develop and support virtually any type of HR system. Given this vast reservoir of talent, the TSG offers the following consulting services for HR system development projects:

System Planning and Analysis	Requirements Management
Systems Design and Development	Database Design (Oracle and MS SQL Server)
Web Design and Development	Application (Web) Hosting

TSG operates two self-service benefits systems called Employee Express and myPay. These systems are used by more than 8 million customers including Federal, military, and state employees, retirees, and annuitants. Individuals using these self-service benefits systems have immediate, electronic access to view and make changes to their payroll and personnel information without using forms, the mail system, or visiting an administrative office. Removing the burden of this work from administrative offices saves money and enables staff to devote more time to core support. Individuals can interact with these systems at their convenience, 24 hours a day, 7 days a week, and 365 days a year from any Internet enabled personal computer or touch-tone telephone. These TSG systems can be adapted to meet the HR and benefits-related technology needs of state and local government systems. Additionally, these systems meet Section 508 accessibility requirements for ease of use by the disabled community.

If you want to take advantage of our expertise contact:

Larry Miller, Manager
Technical Services Group
Center for Talent Services
U.S. Office of Personnel Management

Managing HR Systems Technology

HR Systems Design and Development

- Other Products & Services
- Purchasing Products & Services
- Contact Us

At the OPM Center for Talent Services (CTS), our professionals provide innovative solutions to streamline HR functions. The CTS can provide you scalable and secure systems to help meet all your HR goals.

The CTS information technology teams are known for answering your questions before you ask them. Based on years of experience providing HR technology solutions for Government agencies, we help assess your needs. Together, we design a system to help reach your HR goals more efficiently. Once you have decided on the path to take, we implement the solution and train you and your staff. Then we don't just go away and leave you, we are right there, ready to maintain and support your new HR solutions. CTS will help your staff work smarter and streamline your HR processes.

A few good reasons to work with CTS are:

- Remarkable customer service
- Leading-edge solutions
- Secure systems and products
- Competitive pricing
- Experienced design, development, and support teams
- Thorough understanding of Government HR issues

If you want to take advantage of our expertise contact:

Larry P. Miller
U.S. Office of Personnel Management
4685 Log Cabin Drive
Macon, GA 31298-0001
Phone: 478-744-2051
Fax: 478-744-2018

Purchasing Products & Services

It's quite easy to do business with OPM. We can serve the human resource needs of all publicly funded organizations.

For example, our Service Branches and Customer Service Sections have already entered into agreements with all U.S. Executive Branch Departments, more than 30 federal agencies and more than 10 state and local governments. We are flexible in our agreement process and want to help you choose the form you would like this process to take.

Typical Agreement Types:

- Custom Packages of Products
  OPM representatives will be glad to sit down with you and put together a tailored package of products/services that fit your specific requirements. One agreement for the entire package, rather than for the individual products, minimizes the resources required to process the agreement.

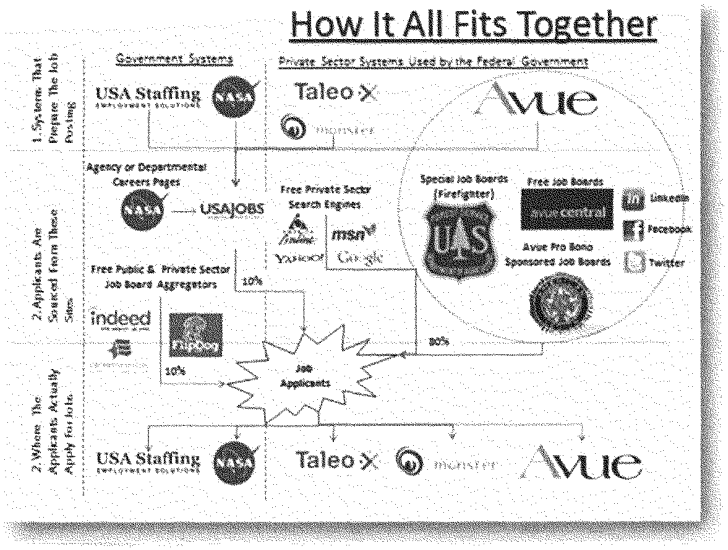
- Drawdown Contracts
  With this type of agreement, the customer estimates yearly requirements for our products or services in advance. Only one agreement is written, signed, and processed. Then as the requirements occur, a simple work order is sent to one of our centers to initiate services. Many of our customers prefer this agreement type because it minimizes paperwork on recurring needs for standard services or products.

- Single Service or Product Purchases
  Of course, we are always happy to help you with single service or product purchases, including finding easier ways to process the financial paperwork.

Payment Methods:

- Credit Card
  We can take a credit card for purchases of less than $10,000. This is the easiest method, ideal for those single service or product purchases, and saves your organization time and staff resources, too.

Attachment G: The Flow of Applicants to Federal Job Postings



27 Prepared testimony of testimony of Linda E. B. Rix, Co-Chief Executive Officer, Avue Technologies Corporation *Before the* Subcommittee on Oversight Of Government Management, The Federal Workforce, And The District Of Columbia "Uncle Sam Wants You! Recruitment in the Federal Government, Thursday, May 7th, 2009.