

**Testimony
Before
The Subcommittee on Financial Services and General
Government**

**Committee on Appropriations
United States Senate**

by

**Director John Berry
U.S. Office of Personnel Management**

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Chairman Durbin, Ranking Member Collins, and Members of the Subcommittee:

As Director of the Office of Personnel Management, I appreciate the opportunity to testify before you today on the President's Fiscal Year 2011 Budget request for the Office of Personnel Management (OPM). This budget will help us meet our responsibilities for establishing, implementing, and overseeing the Federal Government's human resources policies, background security investigations, merit system compliance, and administration of a broad range of benefits for the 2.0 million strong Federal civilian workforce, 2.5 million retirees, their families and survivors. I look forward to sharing with you the Administration's vision to recruit, retain, and honor a world-class workforce to serve America.

Included in the fiscal year 2011 budget request are my strategic goals for the agency: Hire the Best, Respect the Workforce, Expect the Best, and Honor Service. These guiding principles have framed my initiatives of the past year and will continue to guide our activities and priorities in the next fiscal year.

The President has asked me to make Government "cool" again, and to that end, we have several initiatives to reinforce the Federal Government to be the best workplace with the best workforce in the Nation. In the past year, with this subcommittee and Congress' support, we have worked hard to expand the recruitment and hiring of veterans throughout the Government; provide benefits to support the war fighter and his or her family; foster collaboration between labor and management in order to improve delivery of Government services; reform the Federal security

clearance process, and propose initiatives to streamline the Federal hiring process. However, many challenges still remain. Nonetheless, OPM is well-prepared to meet these challenges, and the priorities outlined in this budget request are critical toward the success of these efforts.

High Priority Performance Goals

The following High Priority Performance goals are measurable commitments to the American people. They represent high priorities for both the Administration and the Office of Personnel Management and are expected to achieve significant results over the next 12 to 24 months. Each of the four goals is related to OPM's major performance improvement initiatives reflected in our budget. The High Priority Performance Goals include:

Hiring Reform – 80 percent of Departments and major agencies will meet agreed upon targeted improvements to:

- Improve hiring manager satisfaction with applicant quality
- Improve applicant satisfaction
- Reduce the time it takes to hire

Telework – Increase by 50 percent the number of eligible Federal employees who telework

- By FY 2011, increase by 50 percent the number of eligible Federal employees who telework over the FY 2009 baseline of 102,900.

Security Clearance Reform – Maintain or exceed OPM-related goals of the Intelligence Reform and Terrorism Prevention Act of 2004 and provide the OPM deliverables necessary to ensure that security clearance reforms are substantially operational across the Federal government by the end of CY 2010.

Retirement Claims Processing – Reduce the number of retirement records OPM receives that are incomplete and require development to less than 38 percent by the end of FY 2010, 35 percent by the end of FY 2011, and 30 percent by the end of FY 2012.

Wellness – By the end of 2011, every agency has established and begun to implement a plan for a comprehensive health and wellness program which will achieve a 75 percent participation rate.

OPM Reorganization

Shortly after becoming OPM Director in April 2009, I tasked the agency's senior leadership with developing a simplified model for restructuring the agency's executive offices and program divisions. The agency and its employee unions were partners throughout this process with a

shared commitment to ensure employees are treated fairly, and to ultimately make OPM a better and more effective agency.

The foremost reason for reorganizing OPM was to enable our customers, as well as OPM employees, to see in clear, plain English, the functions that we perform and the organizations responsible for implementing them. The five main functional organizations within OPM now are:

- ***Employee Services***, which provides policy direction and leadership in designing, developing and promulgating Government-wide human resources systems and programs;
- ***Retirement and Benefits***, which administers retirement, health, and life insurance benefit programs for Federal employees, retirees, their families and survivors;
- ***Merit System Audit and Compliance***, which ensures that Federal agency human resources programs are effective and meet merit system principles and related civil service requirements;
- ***Federal Investigative Services***, which ensures the Federal Government has a suitable workforce that protects National Security and is worthy of Public Trust; and
- ***Human Resources Solutions***, which provides effective human resources solutions to assist Federal agencies in achieving their missions.

There are three newly created offices that I believe will help improve the agency's operations. First, I created an independent Ombudsman that will address issues raised by OPM employees and some customers of OPM. I have also created an Internal Oversight and Compliance Office that will undertake reviews and assessments of OPM operations, as well as assist program offices with responses to and follow up on audits conducted by the OPM Inspector General and Government Accountability Office. Through these offices we will have an internal check on OPM's operations that will allow us to better identify and improve problem areas.

Also, I created an Office of Planning and Policy Analysis. Included in the OPM budget request is \$7 million to start a data warehouse to analyze the claims experience of participants in the Federal Employees Health Benefits Program (FEHBP). Through this effort we hope to identify trends in employee health issues and potentially drive down costs through a better understanding of the Federal employee and retiree population's most common health care needs.

Under this reorganization, OPM is more streamlined. Our customers – both internal and external – are better able to understand the services and products that we provide. The execution of the

reorganization has also made OPM more effective in making the Federal Government the model employer for the 21st Century through successful achievement of critical priorities.

FY2011 Budget Request

The budget request presented to you today continues the path we began to chart last year in an effort to bring civil service into a new era. For FY 2011, OPM is requesting \$240,071,000 in discretionary appropriations, the same as enacted for FY 2010. The total includes appropriations from general funds as well as limitations on transfers from the earned benefit Civil Service Retirement and Disability Fund, Federal Employees Health Benefits Fund, and the Federal Employees Group Life Insurance Fund, all of which are under OPM's management.

For basic operating expenses of the agency, our request includes \$95,770,000 in general funds for Office of Personnel Management Salaries and Expenses, \$22,564,000 of general funds and trust fund transfers for Office of the Inspector General Salaries and Expenses. Also, we are requesting a total of \$121,737,000 in transfers from the Trust Funds for the administration of the civil service retirement and insurance programs. This funding will provide the resources necessary to aid in carrying out several major initiatives.

Hiring Reform

The Administration believes that reforming the Federal hiring process is an urgent priority to attract the best and brightest talent into the workforce. The current hiring process is cumbersome and slow, frustrating managers and discouraging many talented individuals from considering Federal jobs and opportunities. In order to address this problem, OPM's FY2011 budget requests \$4,000,000 in order to promote innovative and coordinated approaches to help agencies streamline their end-to-end hiring process. This synchronization will better enable agencies to recruit and hire qualified students, mid-career professionals, and retirees. As part of the Administration's effort to create a more positive experience for Federal job applicants, OPM will continue efforts to overhaul the USAJOBS website. The effort will build on improvements that have already been made to make the site more user-friendly.

OPM is also committed to increasing employment outreach to veterans, in accordance with President Obama's Executive Order, "*Employment of Veterans in the Federal Government*" signed on November 9, 2009. This order established the Veterans Employment Initiative, with the goal of transforming the Federal Government into a model of veterans' employment. OPM, in collaboration with the Departments of Defense, Labor and Veterans Affairs, is leading the development and implementation of a Government-wide Veterans Recruitment and Employment Strategic Plan to address barriers to entry for Veterans and transitioning service members

pursuing careers in the Federal civil service. We are requesting \$2,400,000 in FY2011 to advance this effort.

Finally, this year OPM launched a Federal Diversity Office to make creation of a diverse workforce a greater priority in the Government. The Diversity Office is looking at the development of a Government-wide diversity strategy to support Federal agencies in improving outreach to and hiring of diverse groups of candidates. In FY 2011, budget resources will be used to fully staff the Diversity Office and deploy new policies, processes and procedures for improving diversity and promoting inclusion across the Federal Government.

Wellness and Work-Life

Availability of health, wellness, and work-life options for Federal employees is a critical tool for improving the ability of the Government to recruit and retain a high-performing workforce. In 2010, OPM received an appropriation of \$2,654,000 to develop and operate a comprehensive worksite wellness pilot program for the downtown Washington campus including GSA, Interior, and OPM. The development of Government-wide health and wellness policies and programs to provide employees with a meaningful balance of work and life will continue to be a top priority at OPM in FY2011.

Telework is another essential part of OPM's overall effort to improve work-life flexibilities for Federal employees. Increased use of telework in Federal offices across the country, particularly in major metropolitan areas with large concentrations of employees, would enable the uninterrupted delivery of Government services if employees were instructed to work from home due to extreme weather conditions, natural disasters, or other threats to health, including concerns regarding the spread of influenza. In FY2010 and 2011, OPM will continue its initiative on telework and provide support to agencies, managers, and employees about how to effectively implement telework programs.

Employee Viewpoint Survey

Since 2002, OPM has conducted a biennial survey of Federal employees to assist Congress and OPM in determining the overall direction and needed changes for future HR policy. The survey is also a valuable tool for agencies to improve employee engagement and satisfaction as well as to address areas in need of improvement identified in the survey. Beginning this year, OPM will be conducting surveys annually and our budget request includes \$2,500,000 for this effort in FY2011. The improved annual surveys will provide the data necessary to chart the course for making the Federal workplace a model for the nation.

Security Clearance Reform

In 2004, Congress passed the Intelligence Reform and Terrorism Prevention Act of 2004 (IRPTA) which included provisions to address ongoing concerns regarding the timeliness and quality of personnel background investigations and employment suitability services. Since the enactment of IRPTA, OPM has significantly shortened the amount of time needed to complete initial clearance investigations and has eliminated the backlog of pending background investigation cases. In FY2011, continued efforts will ensure Federal customer agencies have the information they need to make timely decisions on the credibility and suitability of Federal employees, contractors, and military members.

OPM conducts investigations for Federal agencies on a reimbursable basis through the Revolving Fund. The FY 2011 budget includes an estimated \$970,127,000 in new budget authority for Federal Investigative Services. This funding will be used to continue the transformation effort underway for the core FIS technology systems; to continue making improvements to security questionnaires used to collect investigative information; for implementation of a training program to standardize the investigative and suitability adjudicative process for all background investigations; and to cover FY 2011 core FIS operational costs necessary to produce a quality and timely background investigation.

Retirement Systems Modernization

OPM has initiated the Retirement Systems Modernization (RSM) program to modernize and automate retirement processes to ensure Federal retirees and annuitants are paid accurately, timely, and receive high-quality customer service. The Federal Government's retirement systems face significant challenges and are at high risk of failure due to technology gaps. These challenges have been identified in numerous OPM and GAO reports, and congressional staff members have been briefed on the ongoing response to these challenges. Because of the strategic importance of this issue, I have asked OPM's Deputy Director, Christine Griffin, to take the lead on RSM and make this her top priority. Our budget requests \$1,500,000 to stabilize the retirement systems in FY2011.

During this fiscal year, our primary focus for modernization efforts is to lay the foundation for upgrading the retirement calculator, and to transition from a paper-based operation to an automated retirement process. OPM is also focused on implementation of an online retirement application tool that will utilize data gathered through the Enterprise Human Resources Integration (EHRI) program, allowing us to gather initial retirement information electronically for the first time. This capability will help improve the accuracy of retirement calculations by eliminating the potential for manual data entry errors and permitting real-time validation of the data provided. These initiatives will help to ensure that OPM and agency benefits officers have access to information necessary to perform their duties of processing claims and providing

customer service to employees and annuitants. However, enhanced efficiencies will not happen overnight. The transition will require incremental and deliberate change in order to ensure that past mistakes do not occur again, and that taxpayer dollars are not wasted on an ineffective effort. In the interim, OPM must increase staffing levels in order to fulfill its responsibility to process its anticipated workload in a timely manner.

For FY2011, we are requesting 40 FTE and an additional \$2,800,000 to increase retirement claims processing staffing levels. The 40 FTE will permit OPM to process an additional 24,000 claims and reduce claims processing time from 45 days to 40 days in FY2011. In 2012, as staff is fully trained and seasoned, they will be able to process an additional 32,000 claims. The increase in FTE will assist in reducing the claims processing times to 38 days.

Acquisition Improvement

Finally, the Administration is seeking to strengthen the acquisition process Government-wide. As a result, they requested a general provision that provides for \$670,210 to increase OPM's acquisition workforce in order to improve contract oversight. OPM's Contracting Group has assumed a dramatic increase in contracting responsibilities over the past several years as a result of the increased scope of OPM's Government-wide support functions. OPM will use these requested funds to recruit, hire, and train five additional Contracting Officers, plus one additional Contracting Officer to increase staff devoted to small and disadvantaged business utilization.

The agenda I have presented to you reflects a commitment toward a new day for civil service. If superior results are what we want from our Federal Government, then we must attract, hire and retain a talented workforce. We must give them the tools that they need to succeed, and the incentive to perform to their maximum potential, including our assurance that their services are and will continue to be respected and honored.

Mr. Chairman, this concludes my formal testimony on the Office of Personnel Management's FY2011 budget request. I look forward to addressing any questions or concerns that you and the Members of the Subcommittee may have.

Thank you.