

**THE CHALLENGES AND OPPORTUNITIES OF
THE PROPOSED GOVERNMENT REORGANIZATION
ON OPM AND GSA**

HEARING

BEFORE THE

SUBCOMMITTEE ON
REGULATORY AFFAIRS AND FEDERAL
MANAGEMENT

OF THE

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HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
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THE CHALLENGES AND OPPORTUNITIES OF THE PROPOSED GOVERNMENT REORGANIZATION ON OPM AND GSA

THURSDAY, JULY 26, 2018

U.S. SENATE,
SUBCOMMITTEE ON REGULATORY,
AFFAIRS AND FEDERAL MANAGEMENT,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:02 a.m., in room 342, Dirksen Senate Office Building, Hon. James Lankford, Chairman of the Subcommittee, presiding.

Present: Senators Lankford, Johnson, Heitkamp, Carper, Hassan, and Harris.

OPENING STATEMENT OF SENATOR LANKFORD¹

Senator LANKFORD. Good morning, everyone. Welcome to today's Subcommittee hearing titled The Challenges and Opportunities of the Proposed Government Reorganization on Office of Personnel Management (OPM) and General Services Administration (GSA). Thank you for being here and being part of this conversation.

This hearing provides an opportunity to discuss the Administration's proposal to transfer certain functions being handled by the Office of Personnel Management to the General Services Administration. This particular proposal is one of many that make up the Office of Management and Budget's (OMBs) governmentwide reorganization plan, released on June 21, 2018.

The current Administration has echoed the sentiment of previous Administrations that our Federal Government was designed and structured for the last century. Updating our government to meet the demands and challenges of the 21st Century is vital and is a necessary undertaking. The American taxpayers deserve an efficient and effective government, capable of meeting their 21st Century needs, and it is imperative that these conversations on reform take into account the dedicated men and women who comprise our Federal workforce.

The Administration's proposals are bold. They seek to consolidate government offices, merge executive agencies, and create new initiatives. OMB has stressed that some of these proposals can be implemented without statutory change while others will need Con-

¹ The prepared statement of Senator Lankford appears in the Appendix on page 31.

gress to act. In fact, the vast majority of them will need congressional action.

Today we will be examining one particular reorganization proposal, titled "Reorganizing the United States Office of Personnel Management." It identifies seven major organizational units within OPM that could be transferred to other agencies. The proposal calls for transferring five of these units outside of OPM and notes the placement of the remaining two units will be determined at a later date. Of the five units to be transferred to other specific offices, the plan proposes realigning three of them with GSA and then renaming the General Services Administration to the Government Services Administration.

The three functions that are candidates for transfer from OPM to GSA are Human Resource (HR) Management, Federal Retiree Services, and Management of the Federal Health Benefits Program (FHBP). OPM functions as the personnel policy manager and chief human resources agency for the Federal Government. Congress charged OPM with many important responsibilities pertaining to the Federal workforce, including administering retirement and health care services for retirees and their beneficiaries. GSA manages Federal real estate and aims to provide efficient and effective acquisition solutions across agencies and supplies Federal purchasers with products and services from commercial vendors.

If these three OPM services can be transferred into GSA it must be done to improve services to our Federal workforce and to provide efficiencies from what many would equate as a merger.

In beginning this conversation, we will need more details how these proposals can achieve these goals, and I hope today we can begin to hear some of these details, which will be necessary for Congress's consideration and implementation.

With that I would recognize the Ranking Member Heitkamp for her opening remarks.

OPENING STATEMENT OF SENATOR HEITKAMP¹

Senator HEITKAMP. Thank you, Chairman Lankford, for holding this hearing, and thank you to Ms. Murphy and Dr. Pon for joining us today.

I think everyone in this room, as well as every Member of Congress, from either party, would agree that we want a more efficient, better Federal Government system. Federal Government, honestly, must do better. It must be more efficient. It must be more effective and do a better job of connecting with its citizens. That is why I am looking forward to improving Federal agencies, and I know that that is always a great idea. Congress, the Administration, and the public should always be exploring ways, working together to come up with new ideas and structures to execute on those new ideas.

With that in mind, I really look forward to today's conversation. The Administration has proposed some bold and actually interesting ideas and its governmentwide reorganization proposal. One of the key proposals is the focus of today's hearing, merging most of OPM's functions with GSA and creating a whole new agency.

¹ The prepared statement of Senator Heitkamp appears in the Appendix on page 33.

Last week, the full Committee got a chance to explore the full scope of the Administration's reorganization proposals. Today we are going to get down in the weeds and learn more about one specific proposal, what it will mean and how it will be executed.

I am not afraid of big ideas and Congress cannot be reflexively dismissive of a proposal simply because it changes the status quo. With that said, Congress also needs more information and more analysis about these reorganization plans.

I am sure the witnesses today are aware of the conversation we had last week, and I think I am not exaggerating to say I was somewhat disappointed in the lack of detail that was provided to us regarding the overall Administration proposals, particularly as it relates to postal and some of the U.S. Department of Agriculture (USDA) proposals. So I am hoping that we will not see the same kind of reluctance or inability to provide background or analysis today, because this is a really important function. I think Senator Lankford and I know that there has been increasing frustration, not only with the public toward this agency, OPM, but also internally, with other agencies who have to work with OPM, who expect that they are going to get a more rapid response.

I think that the OPM-GSA proposal is interesting, I think that is something that needs to be explored, and I think we have to work together to see how that would be carried out and analyzed to see if we are actually going to see efficiency.

So we need information so that we can fulfill our oversight duties and also protect Federal workers. Federal employees are absolutely critical to the proper and efficient functioning of Federal Government, and we cannot have government, our Nation, or our citizens without a strong Federal workforce.

I want to thank you and I look forward to your testimony, and thank you for coming in.

Senator LANKFORD. At this time we will proceed with testimony from our witnesses. The Honorable Emily Murphy is the Administrator for the U.S. General Services Administration. Administrator Murphy previously served at GSA from 2005 to 2007, where she was appointed inaugural chief acquisition officer and led the transformation of the agency's assisted acquisition centers and the consolidation of the Federal Supply Service and the Federal Technology Service. Her previous public service includes an appointment to the U.S. Small Business Administration (SBA) and 9 years working at the U.S. House of Representatives on the House Committee on Small Business and House Armed Services Committee.

Dr. Jeff Pon is the Director of the Office of Personnel Management, a position he has held since March. He has had over 25 years of experience in leading organizations and transforming talent management in the private and public sectors. Dr. Pon previously served as the Society for Human Resource Management's Chief Human Resources and Strategy Officer.

I really thank both of you for not only stepping up and taking these responsibilities. Going through the nomination process is not fun—to go through that process but also to be able to step in and take the challenge of the reorganization, which is a significant event. Status quo is much easier than just trying to be able to do

the reorganization that needs to be done, so I thank you for stepping into it.

It is the custom of the Subcommittee to swear in all witnesses that appear before us. So if you do not mind, please stand and raise your right hand.

Do you swear that the testimony you are about to give before this Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. MURPHY. I do.

Mr. PON. I do.

Senator LANKFORD. Thank you. You may be seated. Let the record reflect both witnesses answered in the affirmative.

We are using a timing system today, so for your opening statement we will have a 5-minute clock there. We are not going to be super enforcing of that today, but we do want to make sure that we get to questions quickly.

Emily, you are ladies first in this one as well, with GSA, so we are glad to be able to receive your testimony.

**TESTIMONY OF THE HONORABLE EMILY W. MURPHY,¹
ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION**

Ms. MURPHY. Good morning Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee. It is good to see you, Chairman Johnson. My name is Emily Murphy and I am the GSA Administrator. Thank you for the opportunity to testify today on GSA's role in the Administration's Government Reform Plan, specifically the reorganization of certain functions with respect to the Office of Personnel Management.

GSA's mission is to deliver value and savings in real estate, acquisition, technology, and other mission support services across government. In this testimony, I will lay out the case for why GSA is uniquely positioned to build on the work of OPM and enhance the delivery of human capital operation services across government.

As detailed in the President's reform plan, the consolidation of administrative support functions into a unified, customer-centric organization is a rational approach to the management of any large organization. To that end, the plan identifies an expanded role for GSA to provide administrative services to Federal agencies. Under the plan, GSA's role will expand most substantially through the move of certain human resource operational functions from OPM to GSA. Combining these functions, which include a broad spectrum of human resource products and services, will create opportunities for operational efficiencies, IT modernization, and improved service delivery.

Given the breadth of the reorganization, OMB, GSA, and OPM all understand that we must be thoughtful and clear as we move forward. Moreover, to help better ensure success, the reorganization of OPM will be phased.

In this first phase, OPM's Human Resources Solutions (HRS) will be transitioned to GSA. In support of this effort, both GSA and OPM have established working groups and appointed transition co-

¹ The prepared statement of Ms. Murphy appears in the Appendix on page 34.

ordinators, both of whom have significant experience in agency realignments.

Before I go any further, I believe it is important to share some additional background on what GSA does, to show how HRS and other OPM functions fit within GSA's current mission.

Working with the predecessors of this Committee, GSA was established by President Truman on July 1, 1949, to streamline the administrative work of the Federal Government, a role that remains central to GSA's mission. The delivery of complex, governmentwide services is not new for GSA. It is what we do every day. In many of these cases, we are able to leverage the purchasing power of the full government to secure better deals for the taxpayer.

GSA excels in providing a wide variety of mission support services to agencies, including support for acquisition, fleet management, real property, travel services, and financial management tools. Additionally, for small agencies, we even provide an integrated set of financial, HR, and payroll services.

GSA also serves as an integration body, enabling the delivery of high-quality, high-value shared services that improve performance and efficiency throughout the government. This is further supported by the Administration's Cross-Agency Priority (CAP) Goal, "Sharing Quality Services," which I co-lead. The goal exists to address the fact that 40 percent of Federal leaders report that they are not satisfied with the administrative support in the government.

As the first Federal agency to have an agency-wide chief customer officer, GSA has a long-standing culture of being customer-oriented, and understands how to bring modern information technology (IT) solutions to government. Centralizing the transaction process and IT for administrative functions in GSA, which already aligns with our core mission, will allow for OPM to focus on the improvement of human capital policy.

The existing capabilities within GSA provide a fertile environment to increase efficiency, decrease costs, and improve the lifecycle of administrative and employee services through the natural connections and interdependencies.

GSA already provides HR services to OPM and other agencies, including time and attendance and leave management services. GSA and OPM also have an extensive partnership on the Human Capital and Training Services program, with GSA and OPM each providing subject matter experts and contracting expertise.

The Administration's reform plan provides a path to remaking government to be more responsible, efficient, and effective in service of the American people. I look forward to working in partnership with this Committee, OPM, and the Federal agencies we serve to bring about this needed change.

Thank you for the opportunity to be here today. I am happy to answer any questions you may have.

Senator LANKFORD. Thank you. Dr. Pon.

TESTIMONY OF THE HONORABLE JEFF T.H. PON, PH.D.,¹
DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

Mr. PON. Chairman Lankford, Ranking Member Heitkamp, Chairman Johnson, Members of the Subcommittee, thank you for this opportunity to be here today and to discuss the Administration's commitment to aligning our agencies to better meet the needs of the American citizen. As the Director of OPM and a seasoned human capital professional, I understand the importance of an effective, strategic workforce alignment and how organizations can utilize reorganization to realize positive results.

There has not been comprehensive civil service reform for over 40 years now, and the way in which certain government functions and programs are organized does not enable our Federal workers to excel at the delivery on mission in the most efficient and effective way possible.

President Trump's reorganization proposal is a comprehensive attempt to address these issues, particularly by elevating OPM's strategy, policy, and governance functions and aligning transactional-based services to the new GSA. I wanted to be clear on this one point. This proposal is not a secretive plan to fire civil servants. Rather, it is an opportunity to elevate the Federal civil service and workforce management functions to maximize operational efficiency for human capital services.

The Executive Office of the President (EOP) released the plan recommending the reorganization of OPM and the process by which the Federal personnel management and operations functions are coordinated. The main objective of this proposal is to enable OPM to focus on its core strategic mission, which is to serve as the chief human resource agency and personnel policy manager for the Federal Government.

This proposal recommends moving OPM's policy function into the EOP. The details of this piece of the transition will be further developed in a later stage of our overall reorganization process, and I would follow additional discussions with all the stakeholders. Discussions are focused on realignment of OPM's HR Solutions, which primarily includes the reimbursable HR services. By transferring these services, the human capital function can remain at OPM and allow for a more comprehensive approach for strategic workforce initiatives for the Federal Government.

With the renewed focus, OPM could better support the centralized coordination of all personnel policies across the Federal Government, which includes employee compensation, workforce supply and demand, identification of workforce skills, leadership and talent management, and other issues. OPM could also modernize the approach to human resource policy, with a core focus on strategy and innovation, workforce and mission achievement, senior talent and leadership management, and total compensation and employee performance.

Reorganization is just one tool among many the Administration is committed to using to drive transformational change across the Federal Government. As with most agencies named in the overall reorganization plan, we are currently developing a detailed imple-

¹ The prepared statement of Mr. Pon appears in the Appendix on page 39.

mentation plan. In support of this proposal, I have been participating in ongoing discussions with GSA and OMB on the specifics of the implementation of this proposal. I expect to have future conversations with employee groups and Members of Congress as we gain more detailed insight into what is necessary to move forward.

I understand there are a lot of questions about this proposal and the impact it would have on our Federal workforce. I look forward to having a continued conversation about it.

Thank you for this opportunity to testify and share the vision of this proposal. I welcome any questions that you may have.

Senator LANKFORD. Dr. Pon, thank you. As the Chairman and Ranking Member, we are deferring our questions to the end, and I wanted to be able to recognize Senator Hassan for questions.

OPENING STATEMENT OF SENATOR HASSAN

Senator HASSAN. Well, thank you to my Chair and Ranking Member, and thank you, Ms. Murphy and Mr. Pon, for being here and for your work on behalf of the American people.

I wanted to start with a question to both of you. As I said to Ms. Weichert last week, we all share the priority of working toward a more efficient and effective Federal Government, and I know when we have met before we have talked about that. I think this plan can be a starting point for an important conversation about how to reorganize the Federal Government, but as we all know, the devil is in the details. As Governor, I proposed changes to the structure of our State's government, and so I appreciate the challenges that come along with this kind of proposal.

On this OPM and GSA recommendation, specifically, I am curious to hear where the idea came from. We spoke last week in our hearing about how some of these ideas were top-down and some were bottom-up. So let me start with you, Director Pon. Was this an idea that came from the agency or the White House or somewhere else?

Mr. PON. Thank you, Senator, for the question. Actually, it was an iterative process over the last 18 months. The Executive Order (EO) for Reorganization happened 18 months ago, and the agencies actually submitted their ideas to OMB. Through synthesis of this, OMB prepared the overall proposal and released it to agencies in an iterative process. So trading information back and forth and then the proposal came out.

Since then, Emily and I, have set up task forces to really understand each organization and how it actually dovetails into each organization's synergies. There is a lot to learn about GSA and also OPM on our staffs, and we are making sure that they are working together and making the tough decisions on who goes where and how the synergies can actually happen.

Senator HASSAN. OK. Thank you. Administrator Murphy, the plan calls for moving some retirement, health care, and processing services into GSA. I know that in your opening remarks you touched a little bit on GSA's experience in this regard. But can you drill down a little bit more? What experience does your agency have with those kinds of policies that make this a good fit?

Ms. MURPHY. Thank you very much, Senator. I first want to start by saying that the transition of either retirement or health care to

GSA has not been decided. That is a Phase 2 issue and it is one that we are continuing to do a lot of exploration. We would be looking at that as something that is potentially 2020 or 2021 budget.

However, when you look at GSA's role, we are not really a policy organization. We are an administrative back office. So we take the policy directives or the mission requirements from our customer agencies, whether it be OPM, where we already work with them on things like the Human Capital and Training Solutions contract, or many other programs, and we then put them into implementation. You know, we process the transactions, we make things happen, and we try and find the efficiencies to make it happen so that it pleases the agencies who are our customers, it makes easier for their employees to do their jobs, and it ultimately results in savings for the taxpayers.

Senator HASSAN. OK. I will look forward to a little bit further conversation with you on that offline. But I also wanted to follow up, Director Pon, on something that you and I have discussed and that I raised with Ms. Weichert last week. You and I have spoken in the past about the Federal cybersecurity workforce and about my frustration with the difficulty we have getting clear information about how many Federal workers we have doing cybersecurity in each agency. I know you are working on that and that you share my frustration, but the delay and lack of information has become a real issue.

As Chairman Lankford noted last week, the Russian attacks on our election infrastructure in 2016 were an attack on our democracy. If Russia is willing and able to attack our election infrastructure, they and others will absolutely also attack our Federal agencies, and we need to ensure that we have a cybersecurity workforce in place to prevent and mitigate those attacks.

The broader OMB reorganization plan calls for creating a unified cyber workforce across the Federal Government. Could you share your perspective on that proposal, and how would the proposed changes to OPM and GSA impact OPM's ability to support that kind of unified workforce?

Mr. PON. Thank you, Senator. I share your concern in terms of making sure that we have a robust cyber core in our Nation so that we can defend against any foreign and/or domestic threat. The actors are getting worse, it is getting more complicated, and I think that our workforce needs to be agile and nimble, going from private sector and public sector experience and getting the necessary workforce that we need. It is not just the Federal workforce that we have. We have contractor workforces.

Senator HASSAN. Right.

Mr. PON. And we need to make sure that there is a total accounting of the whole entire workforce, whether it's contractor and/or Federal workforce. I intend to make sure that there is data available so that we can understand how to track people that are in the cyber workforce, both on the contractor side and also on our Federal workforce side.

We also need to understand the cost and the total package, the type of training that they have, and the type of training we want them to have. So we have initiated certain types of workforce plans for onboarding people, flexibilities in terms of hiring, training, per-

formance management, and making sure that the Federal workforce is not just stagnant, that they are getting the training available for the best-in-class. With the cyber workforce, unlike most workforces, the technologies and techniques change every 3 to 6 months. It is not a 2-year cycle. So we need to take a look at that occupation and, in every 6 months would be my recommendation, because these things are actually accelerating at a much faster pace than most of our Federal workforce occupations.

Senator HASSAN. Well, thank you for that answer, and I also just want to touch a little bit on this issue with Administrator Murphy, because there is another cybersecurity workforce idea that my office has been working on. There are resources in the Federal Government to help address known cybersecurity vulnerabilities, but there are fewer people who are proactively testing for vulnerabilities within agency systems and highlighting them for the agencies.

I have been looking into creating a roving cyber IG or so-called “red team” that would do that kind of proactive testing across agencies, building on the work that is already happening at the individual agency level. We have been trying to determine the best place to house a team of people doing that kind of cross-agency work, and given 18F digital service in GSA, we have considered GSA as a potential home for the team. Do you think such a team could fit within GSA, either in GSA’s current form or the expanded form that would exist under this reorganization proposal?

Ms. MURPHY. Thank you, Senator. I would love to explore this with you, because GSA is already taking a proactive role in trying to identify those risks.

Senator HASSAN. OK.

Ms. MURPHY. We run the Continuous Diagnostics and Mitigation contracts for Federal agencies. We have our own bug bounty program, and we are working with the centers of excellence in providing cybersecurity assurance services to small agencies. So I think that there would be a lot of alignment there and I would love to figure out how we could make that work.

Senator HASSAN. Well, thank you, and thank you, Mr. Chair, for letting me go over.

Senator LANKFORD. You bet. And I recognize the Chairman of the full Committee, Senator Johnson.

OPENING STATEMENT OF SENATOR JOHNSON

Chairman JOHNSON. Thank you, Mr. Chairman. In last week’s hearing with Margaret Weichert I would consider it kind of a misunderstanding of exactly what she was presenting. She was present more of a vision. I personally appreciate the fact that the Administration is thinking big, thinking outside the box, and putting forward what I almost hate to call a proposal, because these things are not fleshed out yet. They are ideas. They are concepts.

And so the only question I have for both of you—and, by the way, thank you for your service and your willingness to work on this—where are you in this process, of this integration, of this reorganization? I mean, are we at the infancy? Are you a quarter of the way through? And what is your process, moving forward, and when do you think you might have it all fleshed out where you actually

could provide this Committee and the Administration the details of what you are actually going to do?

Ms. MURPHY. Senator, I think we are pretty far along with the HRS portion of the work. Both Jeff and I have created task forces that have been working together. We understand the missions and how there is a lot of synergy that already exists between the work that is existing within HRS at the Office of Personnel Management and the work that is already existing within GSA.

Right now we are trying to sort of dive into the work that is being done in the support offices, so the CFO Office, the CIO Office, or the General Counsel's Office, to support that work to make sure that we have a comprehensive solution.

When it comes, though, to transitioning either retirement or health care, we are much earlier in the process for those items.

Chairman JOHNSON. So there is not a single answer here. There are different components where you are further along. Director Pon?

Mr. PON. Yes, I would agree with Administrator Murphy. We are taking these things in phases. We cannot do it all at once, and for the authorities that we have we are taking a look at what authorities we have administratively and what we need to work with Congress in order to approve.

The HR Solutions organization is our fee-for-service business. It is the transactional fee-for-service business that has training, has USA Learning, USA Jobs. A lot of the agencies come to this part of OPM for services. GSA has a lot of synergies in terms of delivering services for the organization and agency. I think of this as a really good step toward the right thing, being a human capital and IT professional. We have a distributed system of HR, as well as our IT infrastructure. Could you imagine an agency that has integrated financial management, HR, IT, and acquisition, with systems that support it in one agency? That would actually increase our transparency and accountability across all of the things that we do. Our systems do not talk to one another. They are distributed. I have always said, in my career in the Federal service, that simplification, unification, and standardization is a good back office infrastructure, and that is what we are trying to achieve together with GSA.

Chairman JOHNSON. Senator Lankford and I both have sponsored a bill that would give the Administration the authority to make these changes. It is almost identical. It has been obviously tweaked to the current circumstances, but it is modeled on Senator Lieberman's and Senator Warner's authorization that really did not get out of the starting gate, quite honestly. But it is that authority. And just listening to you, would you anticipate, if you are given that authority, are you going to wait until the very end point where all these things are decided, or would you prioritize the integration, the reorganization into different component parts and maybe start implementing them one after the other?

Mr. PON. Thank you, Senator, and thank you for your and Senator Lankford's bill. I think it is 3137. I have read a bit of it, and I believe it was since the 1980s we have discontinued that. But it is an authority that we can either take as an omnibus or separate parts. I think there is room for big things to happen all at once,

but a lot of things have to happen separately too. So it gives the Administration potentially some flexibility working with speed with Congress, and making some decisions that we would like to both move forward on.

In any change effort, you need to judge what are the easy things and high value, what are the hard things and hard value, what are the hard things that have very little value, and that is what we are doing across our reorganization plans. Administrator Murphy and I are trying to prioritize the things that are essential to move over to GSA, as we do it administratively, that are important to us. We are looking at contracting vehicles that are, in my opinion, no-brainers. OPM does not have—it has an acquisition organization but GSA has a significant organization.

Chairman JOHNSON. So again, you would need the authority from our piece of legislation to even do the low-hanging fruit, the no-brainers. Correct?

Mr. PON. Some of the things I think we could do administratively, but many of the other things we need to take a look at, and that is what we are sifting through.

Chairman JOHNSON. So I will go to you, Administrator. Again, the question I am asking, would you do this step by step, bit by bit? So you take a look at, well, this is a no-brainer, this is common sense, this is low-hanging fruit, whether you need the authority or not, would you do this in pieces, based on priorities, or are you going to kind of wait for the whole, big old reorganization plan?

Mr. PON. We are taking a phased approach.

Chairman JOHNSON. OK.

Mr. PON. HRS is one consideration. In future financial budgets we will take a look at the other transactional services that OPM provides, such as health care and retirement.

Ms. MURPHY. I agree with Dr. Pon. We are looking at this as an iterative process. We are trying to be agile, and hopefully make this part of a conversation, also, so we can be coming up and talking to you on a regular basis about what the next steps are going to be, asking for your input, and having that dialogue.

Some of the work is already actually even happening, not in the OPM proposal but, for example, the work on fleet consolidation. GSA already has contracts in place where we are studying 50,000 vehicles. We have done a demonstration with the Navy. They have been so happy with the way GSA managed their fleet, they have actually asked us to take on an additional 6,000 vehicles for them, and we are usually able to achieve about a 26 percent savings. So we are going full steam ahead there.

We are working through HRS with all deliberate speed, and then we are taking a much more phased approach when it looks at the additional services within OPM.

Chairman JOHNSON. Again, first of all, I think that is the exact right approach. It should hopefully calm everybody's concerns that we are not going to be just one great big old package that has to be approved. It is really going to be a step-by-step approach, and hopefully some of this stuff will be so common sense, so obvious, that we can just start making those improvements. Whether you get the whole reorganization plan or not, at least we will be mak-

ing continuous improvement. That is my manufacturing background. That is the right approach, so I appreciate that.

Senator LANKFORD. Senator Harris.

OPENING STATEMENT OF SENATOR HARRIS

Senator HARRIS. Thank you. Mr. Pon, by statute, the OPM is an independent entity, as you know, in the Executive Branch, and among other things sets standards for holding managers and human resources offices accountable in accordance with merit system and principles around making personnel decisions based on merit.

So my question is that in the reorganization plan there is a proposal that essentially will eliminate OPM, and my concern is if OPM is eliminated, who will take on this independent role in the Executive Branch to ensure that HR decisions will be in compliance with and adhere to merit-based principles as opposed to politics?

Mr. PON. Thank you, Senator Harris. That is a very important question because OPM needs to play the independent role if we are leading the civil service, defending the merit system principles that we have. OPM is going to be, in the proposed state, elevated to the Executive Office of the President, and when you have an organization where the head of the organization wants HR at the table to make decisions, to be an influencer, I think that is a very good sign in any organization. The independence, whether it is in the EOP or not, I think we need to make sure that the OPM director has that directive and continues to have that directive and legislation that supports that role.

Senator HARRIS. So I agree that it is important that we ensure that. My question is how are you going to do that under the description of this reorganization? Because, frankly, my concern is that this reorganization would put—and actually make HR policy for career staff be a function of politics and not merit. That is truly my concern. How would that be addressed? I think we agree on the goal, but how are you going to address that?

Mr. PON. Yes, I think the current laws—none of the responsibilities or rules right now are proposed to change. It is the service functions and transactional systems that are the focus of our current planning. All of the policies and the rights of the OPM director, and the role of the OPM director still stays in this organization and entity.

Senator HARRIS. And how does the OPM director retain independence in this new organizational structure?

Mr. PON. Sure. I am still a direct report to our President, whether I am across the street or not. Our Merit System Accountability group reports in to me, and that organization actually enforces the Merit System Accountability approach. I think there is enough separation between the politics and also that function that it will continue to do what it is supposed to do.

Senator HARRIS. How will you deal with any pressure that is placed on you to make HR decisions based on politics and not based on merit?

Mr. PON. That is the role that OPM has. I swore an oath to defend the Constitution and also to uphold the office. That office is to be the leader of the civil service and defender of the merit sys-

tem principles, and making sure that our civil service is a robust, free-from-politics organization.

Senator HARRIS. And that is a noble oath. Are you aware of any concerns among career staff that HR decisions are being made not based on merit but based on politics?

Mr. PON. I have not had any conversations with any career staff about threats, about the political people exerting any undue influence in personnel actions or merit system principles.

Senator HARRIS. And then, as you know, the Administration released three Executive Orders on May 25, which appear to be aimed at weakening the unions that represent Federal workers. And one of these orders, in particular, restricts the use of official time by Federal employees who are part of a union to represent their coworkers as provided by law.

Among other things, official time, as you know, is used in such a way that it can establish flexible work hours, enforce protections against unlawful discrimination, sexual harassment being an example, and provide employees with a voice on their working condition.

So due to the severe restrictions on the amount of official time that employee representatives can use, will agency officials then be required to stay after work hours and on weekends to address these grievances?

Mr. PON. This proposal actually limits the official time use, taxpayer-funded union time, at 25 percent. We are not saying do not do it. We are saying only 25 percent. We do have cases, such as in the Department of Veterans Affairs (VA)—there are approximately 472 employees that are on 100 percent time. Some of these are nurses and doctors. What we are saying is we hired you to be doctors and nurses for our veterans but you can still use 25 percent of your time to represent your union. We think that that was a reasonable amount of time for any organization, and each employee, out of 100, gets an hour of representation, so the whole entire VA has a whole bank of hours that they can spread across each individual at 25 percent of the time.

Senator HARRIS. So in the event that 25 percent of the time is insufficient to meet the concerns about working conditions, about allegations of discrimination or sexual harassment, in the event that the 25 percent of the time is insufficient to address those grievances, what allocation are you making and what have you set up in this system to allow those grievances to be met, if it exceeds the 25 percent? My question specifically is, are you requiring, then, that folks will stay on weekends and after work to address it if you are not allowing them to do it during work hours?

Mr. PON. So it is 25 percent of the time and the bank. So it is exhaustive in terms of if you exhaust the whole entire bank. But for an individual they can only represent the union 25 percent of the time. That does not preclude another union member 25 percent of the time to use that bank of hours. So it is more making sure that we have allotted a certain amount of hours and also limited the amount of time to 25 percent of a person's work role——

Senator HARRIS. I just have a few seconds left——

Mr. PON. Yes.

Senator HARRIS [continuing]. And I appreciate your point, in theory. But have you ever had the responsibility of actually working with an employee on a grievance? Because if you have you would appreciate that it takes time to establish a relationship of trust, to then understand the experience they have had and be familiar with the facts in a way that you can sufficiently represent them in their grievance. And the idea, then, that if you have hit that 25 percent mark and so it is going to have to go to a bank and another person will represent that employee, you can imagine how things will fall through the cracks and that employee will not be appropriately represented in the case of a sexual harassment grievance. So how are you going to deal with that?

Mr. PON. I think that is a very valid concern, making sure that there are people that understand the case on both sides, making sure that you can work with your union representative to fairly and adequately represent you. Twenty-five percent of the time I think is 10 hours a work week. Each and every union member actually has that, and the bank, we think, is sufficient enough to do that.

Usually within these things it is not one person representing you. It is two or three people. And in the case of real experience and working at agencies, there are usually teams of people that are working with the person that is grieving.

Senator HARRIS. Thank you.

Mr. PON. Thank you, Senator Harris.

Senator LANKFORD. Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thanks, Mr. Chairman, Senator Heitkamp, Governor Senator. Welcome, Administrator Murphy and Director Pon. I am glad you are here. Is this your whole family? Are your families with you today? No, that was for your confirmation hearing. Glad to see you. Thanks for your work.

I am initially going to start with a couple of questions. I could use a hanging curve ball, and basically say hanging curve balls, Administrator Murphy. But as you think this Committee, in fact, some of the folks who are sitting here today with you have worked on real property reform, and a couple of years ago I worked with a number of Members of our Committee. In fact, this goes back to when Senator Lankford's predecessor, Tom Coburn, was with us, and we worked then, and we work now on real property reform to try to make sure that—we spend a lot on where we put our employees to work and we want to make sure that they are in places where they feel appreciated but also productive.

And I just wanted to ask you, given the work that has been done—who was it, Rob Portman. He is not here today, but he has done a lot of work on this, with us, as well. But could you just take a minute or two and give us an update on the status of the real property reform under this Administration please?

Ms. MURPHY. I can talk for a lot more than a minute or two on it because I am so excited about the work we are doing on real property reform. First of all, I want to thank—

Senator CARPER. I am really excited too. People think I am strange—

Ms. MURPHY. No.

Senator CARPER [continuing]. But I get really excited about real property.

Ms. MURPHY. It is really exciting work.

Senator CARPER. I get really excited about postal reform too. My wife says, "Get a life."

Ms. MURPHY. Lots of people say that to me. Sorry.

So, first of all, I want to thank you for the work that you did in perfecting the FASTA legislation. We got three of the board members named earlier this week. GSA has already reached out to all of them. We have been pulling the data together to help them. Since I was confirmed we have published the 2016 and 2017 Federal real property profiles. We actually, this month, then put it into an interactive map so people can see where all that property is.

We have been reforming leasing and trying to focus on the leases where we get the best return on results, because I think I mentioned, in my confirmation hearing, that our average tenancy in a building is over 20 years. Our average lease is about 6 years. And we are at a spot where about 50 percent of our leases are not being renewed in a timely fashion. By focusing on those that are at the highest dollar value we have been able to save \$400 million in anticipated lease payments between January and June of this year.

Just yesterday I announced that, within GSA, we are actually taking our national capital region and we are taking them out of the building at L'Enfant Plaza, we are going to move 1,000 additional people into the central office building, because we think we can accommodate them while still giving them a quality work space to work in.

So we are doing a lot to expedite the disposal of unneeded property. We were able to transfer the Department of Interior South Building to the Federal Reserve Board. They paid us \$40 million for it, on a property that needs over \$100 million in repairs. And I want to thank Senator Lankford in his role as the Chairman of my Appropriations Subcommittee. The Senate mark-up of this year's bill gives us a lot of money to invest in doing repairs to those buildings so we can continue to protect our Federal property.

Senator CARPER. Good. One of the appropriations bills also actually includes some money for GSA, I want to say about \$100 million, to do some more work at St. Elizabeth's, as we try to move our friends from the Department of Homeland Security (DHS) into this campus. How are we doing on that front?

Ms. MURPHY. So the center building—

Senator CARPER. With a special focus on consolidating the Federal Emergency Management Agency (FEMA) and bringing those employees to the campus, please.

Ms. MURPHY. So the \$100 million that you are referring to in this year's bill, and the Senate version of the bill, is for the FEMA consolidation. We think it will take about \$229 million to build the new FEMA building on campus. We anticipate that the center office building will be ready for the Secretary of Homeland Security to occupy starting April 1 of next year. We have been working also on the Munro Building.

Senator CARPER. That is April Fools' Day.

Ms. MURPHY. Yes, and I hate the fact that it is April Fools' Day because I feel like people think that we are trying to pull something over on them.

Senator CARPER. That is when we do our best work here.

Ms. MURPHY. I do not know if you have had a chance to see it. The work they did with that building, it is amazing. When you think that the original center building was built by patients at St. Elizabeth's unskilled, and they were able to maintain it, keep a lot of the historical character while still giving us an open concept space that meets the Secretary and Deputy Secretary's needs. You can go and see Ezra Pound, who was incarcerated there, was a patient there. You can see where he was. They have done a beautiful job with that building.

And then if you look at the Munro Building, that we built for the Coast Guard, we are working to further consolidate, get more individuals into that building. Later this month or it is early next month we are going to actually do a ribbon-cutting for the Martin Luther King 295 Extension, so it will be easier for employees to get into and off of the campus. That will help with congestion around the area.

So we have been putting a lot of work into that property, and I would invite you to come out and see it with me, because it is—

Senator CARPER. I have asked my staff to arrange for us to come out.

Ms. MURPHY. I would love that.

Senator CARPER. Probably not April Fools' Day. Well, maybe not.

Ms. MURPHY. If you want to come—

Senator CARPER. Hopefully before that.

Ms. MURPHY [continuing]. I seem to get out there about every other month or so, and so it is amazing to see the progress.

Senator CARPER. I look forward to joining you.

Dr. Pon, do you ever use the Postal Service?

Mr. PON. Sir, periodically.

Senator CARPER. OK. Well, I want you to use it more. They need the business.

Mr. PON. I use Amazon.

Senator CARPER. OK. Well, actually, if you use Amazon you are using the Postal Service.

Mr. PON. Correct, sir.

Senator CARPER. And the Postal Service makes money on packages and parcels. What do they make, Senator Heitkamp, about \$6 or \$7 billion a year, and Amazon is one of their best customers. So was UPS a big customer, and FedEx, because the Postal Service delivers the last mile and these other companies, they do not want to do that. So it is actually quite a good partnership.

I used to be a State treasurer. I used to oversee most of the benefit programs for State employees, educators in our State, and have a great interest in pensions and health care and all the fringe benefits and so forth.

I just wanted to mention this and then I will stop. You do not even have to respond. But for the record, on postal reform, when I was Governor, we got AAA credit ratings, until the end of my second term. We used to have the worst credit rating in the country. We got AAA credit ratings.

And the same week we got AAA credit ratings from all the rating agencies they said to us, "You still have a big liability to address in Delaware. You have done a great job in a lot of ways." Governor du Pont, Governor Castle—I try to add some value as Governor. But they said, "You have not set aside any money for the health care costs, the liability for health care costs for your pensioners." OK. And so we started doing that.

But we looked around and we looked at other States to see what they were doing to address the liability for health care costs for their pensioners and they were not doing anything. And even today, if you look to see what States are doing, even big cities, almost nothing in terms of setting money aside. You look at big companies, Fortune 100, very little; Fortune 500, very little; Fortune 1000, very little. And yet we have a law that says the Postal Service has to fully fund the liability for the pensioners for health care within 10 years of 2007. And it is just not realistic, and it is, I think, grossly unfair.

The other thing I would say, my wife retired from DuPont a few years ago. She had a great career there. When she turned 65—let me say, for the record, if she is listening, she looks about half that age.

Mr. PON. You are a lucky man, sir.

Senator CARPER. Yes. We have a saying in our family, "Happy wife, happy life." Anyway, when she turned 65 she got a letter from DuPont, and it said, "Dear Martha, we love you, but you have to sign up with Medicare Part A, Part B, and Part D, and we will provide some wraparound coverage for you." And most every major company, employer in the country does the same thing. And with the Postal Service, most of their retirees, most of them use Part A, and the majority of them use Part B. Nobody uses Part D. But the Postal Service pays into the trust fund, the Medicare trust fund, as if everybody was going to get covered. But they do not. They actually overpay so that other companies can pay less. And I just want to say there is an equity problem there. At some point in time you are going to be drawn into this discussion on postal reform, particularly as it applies to fringe benefits and health care. So I just wanted to set that as a marker. All right? Thank you.

Mr. PON. Sure.

Senator CARPER. Great to see you both. Thank you.

Senator LANKFORD. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman. I think you both know how much respect I have for both of you, and I really want to say that I am always excited when I see you on the agenda because I know we are going to have a substantive discussion and it is going to be very helpful to us. So I just want to tell you how much I appreciate your government service and your enthusiasm for the task ahead of you.

One of the, I think, critical questions in any kind of reorganization plan is what is the problem you are seeking to solve and how will this reorganization actually further solve that problem? Now we have had many oversight hearings on this Committee regarding challenges of OPM. There is no doubt about it whether we need to take a look at the overall system, whether Jobs USA is just not functioning the way it needs to function. I get all that. But some-

how just rearranging the chairs or who sits where in my opinion does not solve some of the problems that I see that need to be solved within OPM.

So what is the problem that you think will be solved by the relocation of OPM? And I really see it more as a merger as opposed to an accusation—not an accusation, but instead of being acquired—thank you. But the way you described it to Senator Harris, clearly it is not integrating all the authorities of the Director of OPM within the head of GSA. So this is kind of an umbrella.

So how is that going to solve the problems that we have recognized over a long period, Dr. Pon, that need to be solved over at OPM?

Mr. PON. Thank you, Senator. Throughout my career in the Federal Government we wanted to make sure that transactional and administrative things were minimized and mission delivery and performance enhancements were maximized at agencies. This is an effort to continue that effort. I did mention the systems that we have. Initially, 15 years ago, we consolidated 22 payroll systems into 4. We got a lot of efficiency and cost avoidance for the taxpayers. Administrator Murphy actually owns part of that program to consolidate those shared service centers now, that we call them. They are adding time and attendance as well as other Human Resources Information Technology (HRIT) functions. With HR Solutions potentially going over there to GSA it actually envelops a lot of the HRIT infrastructure—USA Jobs, USA Learning, USA Staffing—which 80 or 90 percent of the agencies use some form or fashion of those types of IT solutions.

Senator HEITKAMP. And you are saying they are already over at GSA.

Mr. PON. No. USA Learning, USA Jobs, USA Staffing are in HR Solutions at OPM.

Senator HEITKAMP. Right.

Mr. PON. Those are potentially going over there to add synergy to the overall offering that GSA would have, in a consolidated fashion, for HRIT solutions for agencies.

Senator HEITKAMP. OK.

Mr. PON. The problem that we are solving is making sure that we are standardizing, simplifying, and unifying a lot of these tools so that it is not 1,000 flowers that bloom. The data is everywhere and the information does not really interact at the systems level. There is no interoperability or standardization across different types of tools.

So I will give you a concrete example.

Senator HEITKAMP. Yes. That would be good.

Mr. PON. Performance management systems. We do not have one or two. We have hundreds and hundreds of them, and they have different—

Senator HEITKAMP. So why does it have to go over there in order for you to solve this problem?

Mr. PON. I think it is operational efficiency. One part of OPM does the policy end of things. The other part of the spectrum we provide services to agencies. General Services Organization does services for IT, acquisition, and I think finance and HR are the

next steps to consolidating that back office infrastructure. That, to me, as an executive——

Senator HEITKAMP. So it is kind of a one-stop shop for the backbone.

Mr. PON. It is the one-stop shop for administrative services for the Federal Government.

Senator HEITKAMP. And you would see retention within your operation to be that public policymaking, that innovation, whatever it is.

Mr. PON. Government-wide policy, the management of personnel management, but staying out of the fee-for-service type of business that HR Solutions is currently engaging in and the National Background Investigations Bureau (NBIB), as well.

Senator HEITKAMP. Yes. Losing control over the implementation of your policies is not something you worry about.

Mr. PON. I think we have been, actually customers.

Senator HEITKAMP. Yes, I know you two can get along.

Mr. PON. No, but even before I got here.

Senator HEITKAMP. I am just thinking future administrative structures. I mean, I think both of you could make this work. I have no doubt about that. And you could make it work for the retirees. You could make it work for the employee that you both represent. I have utmost faith. I am just looking into the future, saying when you do not have this relationship, when you do not have this kind of collaboration, where is the tension points going to be as you are looking at creating policy for Federal employees that then has to be implemented and embedded within General Service.

Mr. PON. Even before I got here, OPM has been a customer of GSA in HR, and I welcome Emily's comments on that type of relationship, even before I got here.

Ms. MURPHY. GSA actually already does the performance management system for OPM. So OPM sets the policy for it, we implement it, and then we actually provide it back to them. We provide their payroll services. We provide their time and attendance.

Senator HEITKAMP. So, Emily, I get that.

Ms. MURPHY. Yes.

Senator HEITKAMP. So then explain to me why the two agencies need to be umbrellaed. Why cannot we just make OPM the policy-making branch for public employees and just give you the implementation back behind-the-counter operation for management?

Ms. MURPHY. I think that that is the intention of this plan. It is a step in that direction. GSA was set up to be a mission support agency, and if we can do a better job in serving OPM and other customers, as they already come to us with their mission requirements and it is our job to figure out how to most effectively and efficiently implement those.

Senator HEITKAMP. So, I will turn this over to Senator Lankford—I understand what you guys are saying but I am trying to understand what you are saying in the context of what we are reading, in terms of reorganization, and I think some of the issues that Senator Harris raised could be—if you said, “Look, we are going to have a revised OPM that looks at overall policymaking, recruitment, does the studies,” that it becomes the employment agency, kind of the arching, and we are going to tell you, GSA, how we

are going to manage this. I mean, I get that. But why do you need to co-locate OPM within GSA?

Mr. PON. This part of OPM is the services part of it. It is only that part that we are talking about right now. In future budget years we are considering Federal Health Benefits and also Retirement. Other than that, the enforcement, the policies still stay within this organization, whether you call it OPM or OPM, Inc. It still has all of those responsibilities that Congress has given them.

Ms. MURPHY. If I could probably give an example of how we think this is going to add some efficiency, within OPM right now, within HRS, which we are contemplating bringing to GSA, there is a group that does telework policy. Within GSA, we actually provide the space and we can help consolidate the space to help with telework, and then we also provide the IT and the systems that allow for telework. So by having those groups work really closely aligned with each other, working together, we think we are going to deliver a better solution.

Senator HEITKAMP. Emily, do you think you can do this piece without legislative—without congressional approval?

Ms. MURPHY. It is my understanding that we can do the HRS transfer without legislative approval, but that I do not know that—I know our lawyers are still looking at it, and I do not want to speak definitively, 100 percent, because I will get in trouble with my lawyers. But it is my understanding, from our task forces, we think we can make this happen.

Mr. PON. Large part, I think we can do this administratively. There are some things that our lawyers are taking a look at. There are certain authorities, such as USA Jobs, assessment authority. It is not a fee-for-service business. It is actually OPM's responsibility to post all the jobs across the Federal Government. Before there was USA Jobs, people came to the basement of OPM and went through the reams and reams of paper.

Senator HEITKAMP. Yes. I just want to make this point. This is what I do not want to have happen. I get mad at USA Jobs. I already am so that is a short trip. So I call you, Emily, and say, "This has to get fixed. We cannot be waiting. You cannot do it this way." And you go, "Well, it is Jeff's fault." And I call Jeff and Jeff goes, "Well, Emily is not doing her job."

I mean, right now I am going to call you and blame you, right?

Mr. PON. Yes.

Senator HEITKAMP. So I just want to make sure that we do not eliminate accountability in this kind of bifurcated responsibility.

Ms. MURPHY. Maybe a good example is GSA already runs something called the Federal Business Opportunities website. It is sort of the contracting equivalent of USA Jobs.

Senator HEITKAMP. No, I know you can do it, Emily.

Ms. MURPHY. So when there is a problem with it, I am the one who gets the calls even though it is a governmentwide policy—

Senator HEITKAMP. You are going to regret saying that. [Laughter.]

Ms. MURPHY. I am a Missourian. I believe, Harry Truman, the buck stops here. I am there. I love that.

Mr. PON. USA Jobs is a tool. Hiring has to be taken a look at, and whether it is USA Jobs or the agencies pass-back, we are tak-

ing a look at the whole entire system and the delivery of it. USA Jobs is the front door, and we need to make sure that the back office, the hiring, the agencies, the managers are doing their jobs and not trading the classifications back and forth.

This is like basic HR. We need to get back to the basics and read resumes versus doing these keyword searches and getting all these things racked and stacked. We need to go back to the basics of how we recruit people, source people. That is very important to the mission of our organization, and USA Jobs is sometimes—I have heard the names.

Senator HEITKAMP. Yes. This is a Committee that could not agree more with you.

Mr. PON. That is right.

Senator LANKFORD. And we will allow you to be able to say it is Jeff's fault, and Jeff can say it is Margaret Weichert's fault, and they can go to Mick Mulvaney's fault, and then we will just keep going up from there. But we do appreciate this because USA Jobs just has to get fixed.

Mr. PON. Hiring has to get fixed. That is all of our jobs but that is my responsibility.

Senator LANKFORD. And we will talk about that in just a moment.

Senator Hassan wanted to be able to ask an additional question as well.

Senator HASSAN. Thank you very much, Chairman Lankford. Dr. Pon, I wanted to follow up with you on the official time proposal that you were discussing with Senator Harris. This official time proposal would limit workers to spending 25 percent of their time on official time, but the same amount of official time needs to be done regardless of how many people are doing it. That means you might end up with four people working 25 percent of their time instead of one person at 100 percent, to get the work done. Why is four people doing this work part-time more efficient and effective than one person full-time?

Mr. PON. I think there is a balance, Senator, between what you do for the union and what you do for your government, what we hire people to do.

Senator HASSAN. Excuse me just a second. I would say that many of us believe that representing employees and making sure their voices are heard serves the government and the people of the United States of America, so I would not distinguish or divide service to make sure employees are being heard from service to government.

Mr. PON. Yes.

Senator HASSAN. Does that make sense to you?

Mr. PON. I understand what you are saying, Senator. I think our proposal is to make sure that we have representation 25 percent of the time and we have a bank of hours that helps the union manage their time allotted to them, that the taxpayers pay. But we also want to make sure that they do the jobs that the American public has hired them to do.

Senator HASSAN. I will make this observation. I practiced labor unemployment law for over two decades. I represented a hospital in the course of doing so.

My son went through 20 hours of surgery about 15 years ago, 2 days of surgery, 20 hours. I would not want multiple surgeons coming in and doing that 20 hours of surgery. My time is up. Next person. I counted on the doctors and nurses coming together and deploying their time, and all the other professionals who were there, in a way that got the job done.

And I think it is concerning that the Administration is acting as if employee representation is somehow rote work that anybody just does and comes in with their 25 percent. To Senator Harris's point, this takes professional effort, and nobody but doctors and nurses, for instance, know how important nurse-patient ratio is on the floor of a VA hospital. That is why we have nurses and doctors engaging in employee representation, because they know what it is to be a doctor or a nurse in the VA system.

And so I just am concerned that the way the Administration is speaking about this proposal really reflects a lack of respect for the importance of representing employees, especially health care employees who take care of our veterans, and I think one might think that the Administration is simply trying to dilute the effectiveness of employee representatives, and that concerns me greatly.

Thank you, Mr. Chair.

Senator LANKFORD. Do you want to respond to that either way?

Mr. PON. I understand your concern. I do believe that the employee representatives need to adequately represent their organizations and employees. It is concerning to me that we have had a tip through 100 percent of the time having representation. This is 25 percent of the time. I understand your concern about the limitation that that 25 percent of the time takes and may have potential impacts on a case-by-case basis.

Senator HASSAN. And thank you, and I will not prolong it other than to say it could seem pretty arbitrary, and that concerns me. But I would look forward to discussing this further. And thank you for your indulgence, Mr. Chair.

Mr. PON. Thank you, Senator.

Senator LANKFORD. So let me ask you a question, and coming back to what Senator Heitkamp was talking about as well, on the purpose of what we are trying to accomplish. How does the moving HR services over improve customer service?

Ms. MURPHY. May I?

Mr. PON. Go ahead.

Ms. MURPHY. I think that if you look at the alignment of HR services with the work GSA is already doing, for example, if you are coming to either GSA or OPM right now and trying to use the Human Capital Training and Services contract, it is unclear where you are supposed to go. By bringing these two groups together, it is going to be much easier for customers to work on it. It also means we can use those assisted acquisition professionals to provide greater service across the government.

Likewise, when we are doing consulting or customer experience work, there is a group within GSA that does this work already and there is a group within HRS that does this work already. Bringing them together we are going to be able to leverage that and provide a better solution. By having the work we do on telework, having the individuals who do the telework consulting aligned with the in-

dividuals who do the telework space management, and those who do the telework IT management, you are going to get a better solution just by having everyone work together.

At the end of the day, this should add—my goal, under the CAP goal on sharing quality services is that I am supposed to deliver \$2 billion in savings over the next 10 years, as well as improving customer satisfaction. So my goal is to thrill my customers and save taxpayer dollars.

Senator LANKFORD. OK. Good goals, by the way. And taking it from there, you both called that the low-hanging fruit of the proposals, and then Administrator Murphy, you gave us a little bit of a news flash there, saying Phase 2 is still in conversation about what happens to retirement and health benefits.

So tell us a little bit about that. Would we have the same type of gain in moving that over, as you are examining it now? Will customer service still improve? And because if there is any one area that I get casework on dealing with OPM it is the retirement system. That area, more calls than anything else. When it takes 6 months to actually move into the retirement system, and you have vulnerable retirees, it is a big issue. So does that improve customer service to combine that or is that still being studied?

Mr. PON. We are taking a look at it right now, but I think moving HRS versus moving Health Benefits, its policies and its Administration is a much bigger project. I think there needs to be a lot of due diligence in talking about what gets to move. But the nature of Federal Employee Health Benefits is still a very transactional thing. Unfortunately, it is very much paper-based and retirement is paper-based too. We have a whole cave full of paper in Pennsylvania right now.

I want to make sure that we have digital records for both. The employee digital record will help agencies move people from agency to agency and move them to retirement systems without the paper. I want to make sure that we deliver that in good order to GSA so that the digital infrastructure can be worked on together, but I am not having her and the GSA organization inherit some of the problems that OPM has been dealing with for decades. I want to make sure, on my watch, that we move to a digital environment, and that will take at least a year or two.

Senator LANKFORD. OK. So let me try to clarify that. So the goal on, let us say, retirement—just take that piece of it—is to try to fix the system and then transfer it—

Mr. PON. Correct.

Senator LANKFORD [continuing]. Rather than transfer it and have someone else clean it up.

Mr. PON. Correct.

Senator LANKFORD. Why is that better?

Mr. PON. I am familiar with HRIT transformation—22 payroll systems, USA Jobs. I know that is a sore point for Senator Heitkamp. But I do think that before that we did not have any of those systems. We did not have digital systems. You want to make sure that you charge people that have the experience in doing that. We have a track record of doing that on my watch and I want to make sure that that happens on my watch.

Senator LANKFORD. All right. So set some timelines for me, both for retirement, let us say. Let us just take that piece of it. At what point will we move to current, up-to-date retirees, so that you retire and you actually get to retire when you retire, as shocking as that may seem. So walk me through that. And then talk me through timelines of transition for that to be able to move.

Mr. PON. So the first step is the electronic data record. That is going to pull in the Enterprise Human Resources Integration of eOPF, which is the official personnel file, as well as other data that resides in Enterprise Human Resources Integration. That data will represent the whole entire digital representation of the employee. That will feed all of the systems that we are talking about, whether it is health benefits, whether it is retirement, whether it is transfers, promotions. The records that we keep still are very paper-based.

So we are starting with that. In about a year, year and a half, we will have an organization, demonstrate that capability, and then from there we will be testing out the capabilities, in parallel, building out those test cases for transferring an employee from an active employee to a retired employee, in about a year and a half or two.

Senator LANKFORD. OK. And that is all done by a single office, or would that be distributed agency to agency with instructions on how to do it? In other words, going through the cave, does this become a team of folks there scanning in information, trying to type it in, or to be able to merge it, or does each agency have the responsibility to say this is the system we are going into; get your data into this system?

Mr. PON. Yes. So currently there are multiple forms of, for instance, payroll information, and the retirement system itself requires 188 data elements to process retirement. We are going toward standardization of those data requirements so that each agency can feed, in a standard way, that information and not have forms that are varying, that people have to type and put into the system. So we are digitizing things going in and also processing it.

Senator LANKFORD. But you are establishing the structure. The agencies will be responsible for populating that with information.

Mr. PON. The agencies, with their payroll providers, which Emily has.

Ms. MURPHY. While Jeff is taking the lead on this right now it is definitely going to be something we do in partnership, because GSA, in our work with Shared Services through the Unified Shared Services Management group, and by putting out new solutions in that area, may be able to expedite and help those customer agencies with that part of the process.

Senator LANKFORD. But I am still back to the same issue. They are establishing the system and structure. Is GSA inputting that data for every agency, or does each agency have the responsibility to be able to input their own data so that we have a much larger group handling this? Because this will be an enormous task, that if you have a small team, that that is what they do, that is going to take forever, versus it is distributed nationwide toward the different agencies.

Mr. PON. The current systems that we are talking about are primarily payroll, time, and attendance and HRIS. There are consolidated organizations that provide those, and I am working with Emily's organization to make sure that they have standards so that they are going toward common standards in feeding these data systems, wherever they may reside. And we are consolidating that activity and making sure that there are economies of scale, and we are working together on the shared services side.

Ms. MURPHY. So as I try to work on getting us from over 100 time-and-attendance systems in the government down to, hopefully, a manageable number of time-and-attendance systems, that will actually make it easier for Jeff's systems to capture that data and come up with a better solution. The same thing with payroll. If we can get from, I think, five payroll providers to a "software as a solution" service, we will be able to better capture that data, make it easier, less low-value, data entry work and more system transformation work.

There is going to be more than enough work to go around, but it is going to be an opportunity for us to actually use it as a chance to modernize on both sides of the equation.

Mr. PON. So the good news story about this is that we are moving away from forms. We are moving toward data, and the data can actually be sucked up into what they call the cloud, and then it can be repurposed into these systems for transactional systems. We have outdated systems right now that are sometimes at end-of-life mainframes, and we are moving away from that type of technology across government so that the data actually can be data and can be repurposed for many different reasons. That is why an enterprise employee data record is so important to us. So we can pull the data from wherever it is and pull those 188 data elements for retirement systems, whether they are at the agency or the service provider. But we require each and every one of the entities to provide us that 188 standardized data elements.

Senator HEITKAMP. Let us stay on IT here, because obviously one of the concerns that we have—and you recognized in your reorganization plan—talked about the challenges that OPM has experienced with data breaches, background investigations, backlogs, and really IT problems.

So if we talk about this—number one, let us all agree it is not like in the cloud. It is in a server bank somewhere. Right? I mean, you can pull it—

Mr. PON. Probably in Ashburn, Virginia.

Senator HEITKAMP. Right. Emily, do you have data storage? Who does this for the Federal Government?

Ms. MURPHY. We do. GSA actually has a center of excellence on data storage. We have been working—if you look at our FITARA scorecard we have been working really hard to make sure that all of our servers are consolidated and that we are using cloud optimization. We actually have a cloud center of excellence that is working with USDA right now to help them make that transition themselves, so they can provide better expertise to farmers. I think we are actually heading to North Dakota next month to meet with some farmers, actually—

Senator HEITKAMP. Great.

Ms. MURPHY [continuing]. To make sure we are designing the right system for them.

But GSA has a lot of expertise when it comes to——

Senator HEITKAMP. Data storage and data retrieval.

Ms. MURPHY. And we also run a lot of the contracts for data storage, data retrieval. So if the way we are doing things is not the right one, we help agencies find a solution that works for them and their requirements. So we do not assume that there is a one-size-fits-all for every type of data that you want the same answer.

Senator HEITKAMP. So there are some synergies, there are some economies of scale by migrating data storage and data analysis to that place. Then you become more like USDA as opposed to the person who is responsible for maintenance of all these records.

Mr. PON. We will still, from a policy standpoint, be responsible for maintaining the records, but GSA, the new GSA, or the Government Services Agency—not new—the Government Services Agency will be our service provider for data IT systems.

Senator HEITKAMP. How do you see cybersecurity improved with this system?

Obviously, we are all concerned, still, about the hack of OPM.

Mr. PON. Yes.

Senator HEITKAMP. We do not know. I mean, I think we are going to be suffering consequences from that hack in years to come. I sit on that data for a while, assuming that only so many people are going to take steps to protect whatever number they have.

And so this is a ticking time bomb. Let us not assume that, oh, the sky did not fall on some public employee's head right after it happened. Let us just assume that people are sitting on some of this data, ready to utilize it at their leisure.

So how will this system improve cybersecurity?

Mr. PON. Well, in particular to that data, the investigative data, that is planned to be going to the Department of Defense (DOD), DOD through NBIB, National Background Investigations Bureau. We have, and are working with DISA to be the provider for the back-office infrastructure for background investigations, and working with DOD on the smooth transfer of NBIB to DOD.

Senator HEITKAMP. Well, OK. So how do we prevent a hack in the future? You are saying, you are going to migrate background checks to DOD, right?

Mr. PON. Yes.

Senator HEITKAMP. Is not that what you just told me?

Mr. PON. The infrastructure.

Senator HEITKAMP. Right. The infrastructure. So assuming they are more secure than what you have had in the past.

Mr. PON. I would not say that. We actually doubled down on much of our security since the hack. Government reports have actually said that OPM is on the top three of protecting their systems.

Despite that, I want to make sure that we have the best and brightest working on defending some of these sensitive systems. I come from a background of OPM and also Department of Energy. That is one of the most attacked organizations in the whole entire government. We need help in terms of making sure that we have the right people to defend our cybersecurity infrastructure, and I

believe that we have placed a lot of our resources in that part of our organization, to get the right people and the technology, and the right contractors to help test, penetration test our systems. We do penetration tests with the security agencies as well as DHS and DOD, so they are active partners in making sure that our infrastructure is secure.

Senator HEITKAMP. Yes. I am trying to figure out—now you are telling me you are sending a piece of this to DOD. I am trying to figure out why you are not responsible for—if you have the center of excellence for data storage, and you are responsible for contracting with many of these agencies, why are not we looking to you to be the center of excellence for cybersecurity, for Federal data?

Ms. MURPHY. I want to distinguish between the National Background Investigation piece that Jeff is talking about.

Senator HEITKAMP. Why?

Ms. MURPHY. Because the National Defense Authorization Act (NDAA) a few years ago actually directed the transfer of 70 percent of that to the Department of Defense.

Senator HEITKAMP. OK. So it is a statutory—

Ms. MURPHY. Yes.

Mr. PON. Yes.

Ms. MURPHY. But the Department of Defense is actually GSA's largest customer, so we do help them. We do partner with them on IT and on cybersecurity. We partner with almost every agency and providing them assistance.

Senator HEITKAMP. OK. I think this is fascinating. I think this will be one of these introductory meetings. And I just, again, do not want to be in that spot where I have to, and it just gets passed—the responsibility gets passed along. And, where I would be completely comfortable that you two are collaborating and there is not going to be finger-pointing.

I do not know what that is going to look like in 5 years. I do not know what it is going to look like in 8 years. And so we have to design these systems not based on the personalities of the people in front of us but based on clear lines of delineation and responsibility so that we better understand.

This is an area that I think needs reform. I mean, I think anyone who has examined this—and we have talked about this, Jeff, in my office, and in this hearing room. I look forward to continuing to work with you all to understand better what it is that you want to do, and helping you advance some of these economies of scale so that we can, in fact, get a better backbone for our personnel system and for our hiring system.

And so thank you so much for your appearance today and thank you for this great discussion.

Mr. PON. Thank you, Senator.

Senator LANKFORD. Yes. I just have one final question. When do we get a timeline? I am sure your task forces are working together in setting some targets and goals, and say by this month we need to have this done, by this month we need to have this done. And, oh, by the way, by this month we need Congress to pass legislation that we may need to have enacted so we will be on time to do this.

When do we get that timeline that your task forces are working together to be able to create?

Mr. PON. So for each phase we will make sure that we set out a timeline for each and every one of the phases that we are talking about. So, at least notionally, we have, for each section, a timeframe in which to produce deliverables on project plans, business cases, cost benefit analysis. That is where our team, our task forces are actually mapping out that project plan so that there will be smooth transition on it.

What I think you will see after the task force has tackled this part of the HRS, you will see a timeline of implementation that we would be sharing with this body as well as other key stakeholders. But we need to make sure that our task force is giving us the information. We are learning about each other's organizations right now. We are doing our due diligence on what contracting vehicles would be more efficient and effective in running many of these things? What support organizations need to support these different types of activities?

But I think a reasonable timeframe would be probably in 3 or 4 months, to work with your staffs and briefing you up on where our status would be on that whole entire plan.

Senator LANKFORD. That is what I needed to hear.

Ms. MURPHY. Our goal is really the end of the summer, early this fall, to make this happen.

Senator LANKFORD. OK. Can we set a date on that now? Can we set an October 1 date? Do we need to set a November 1 date? When do we get a timeline so we can target that?

Ms. MURPHY. I hate making commitments that I cannot guarantee.

Senator LANKFORD. I know. It is so fun, is it not?

Ms. MURPHY. No, well, because I do not want to come up and explain to you why we missed—why it was October 2 rather than October 1. Could we set up a set of regular briefings so you know where we are, when we are there?

Senator HEITKAMP. That is OK.

Senator LANKFORD. Sure. That is fine.

Ms. MURPHY. OK.

Senator LANKFORD. That is fine. What I want to know is a couple of things. One is I do not have a doubt you all are planning on working together. This is a hard process that is actually the practice round for harder things that may be coming in Phase 2, so we get that. But we want to be able to be engaged so we can do our oversight to be able to ask questions, have you thought about, where does this go, what happens next.

The second part of this is there will be some date sitting out there that a piece of legislation might be needed. It is to your advantage to not ask us about that a week before. You might have noticed it takes longer than a week to be able to move a piece of legislation. So if there is a discovery and the lawyers come back and say, "We need legislation about this issue at this point to be able to accomplish that," we need that as early as possible so we do not get to the last day and say we are ready to flip the switch, except. So we just need to know what our connection point is. Does that make sense?

Mr. PON. Very good. Yes, sir.

Ms. MURPHY. Absolutely. Yes.

Senator LANKFORD. That is great. Any other comments you all need to make?

Mr. PON. We really appreciate both Senators working together and making sure that this is an issue that we address. It is refreshing to see that the eyes of your Committee are on us and making sure that we can actually do some things to affect the operations of the Federal Government in a much more deliberative fashion, and move out with those things.

Senator LANKFORD. Great.

Ms. MURPHY. I just want to say thank you. I am really excited about this opportunity for us to see if, by working together, we can deliver a better service for Federal employees.

Senator LANKFORD. Yes. Absolutely. Let us fix it. I thank both of you for being here and what you are doing.

The hearing record will remain open for 15 days, until the close of business on August 10, for submission of statements and questions for the record.

Thank you both again. This hearing is adjourned.

Senator HEITKAMP. Thanks, you guys.

Mr. PON. Thank you.

Senator HEITKAMP. Good job.

[Whereupon, at 11:26 a.m., the Subcommittee was adjourned.]

A P P E N D I X



Opening Statement

Of Senator James Lankford, Chairman of the Regulatory Affairs and Federal Management Subcommittee,

Thursday July 26th at 10:00 AM

"The Challenges and Opportunities of the Proposed Government Reorganization on OPM and GSA"

Good morning and welcome to today's Subcommittee hearing titled: "The Challenges and Opportunities of the Proposed Government Reorganization on OPM and GSA."

This hearing provides an opportunity to discuss the Administration's proposal to transfer certain functions being handled by the Office of Personnel Management to the General Services Administration.

This particular proposal is one of many that make up the Office of Management and Budget's Government-wide reorganization plan released on June 21, 2018.

The current Administration has echoed the sentiment of previous Administrations, that our federal government was designed and structured for the last century. Updating our government to meet the demands and challenges of the 21st Century is a vital and necessary undertaking.

The American taxpayers deserve an efficient and effective government capable of meeting their 21st century needs. And it is imperative these conversations on reform take into account the dedicated men and women who comprise our federal workforce.

The Administration's proposals are bold. They seek to consolidate government offices, merge executive agencies, and create new initiatives.

OMB has stressed that some of these proposals can be implemented without statutory change, while others will need Congress to act.

Today, we will be examining one particular reorganization proposal, titled: "Reorganizing the U.S. Office of Personnel Management." It identifies seven major organizational units within OPM that could be transferred to other agencies.

The proposal calls for transferring 5 of these units outside of OPM, and notes the placement of the remaining 2 units will be determined at a later date. Of the 5 units to be transferred to other specific offices, the plan proposes realigning three of them with GSA, and then renaming the General Services Administration to "Government Services Agency."

The three functions that are candidates for transfer from OPM to GSA are, human resource management, federal retiree services and management of the federal health benefits program.

OPM functions as the personnel policy manager and chief human resources agency for the federal government.

Congress charged OPM with many important responsibilities pertaining to the federal workforce including administering Retirement and Healthcare Services for retirees and their beneficiaries.

GSA manages federal real estate and aims to provide efficient and effective acquisition solutions across agencies, and supplies federal purchasers with products and services from commercial vendors.

If these three OPM services can be transferred into GSA, it must be done to improve services to our federal workforce and to provide efficiencies from what many would equate as a merger.

In beginning this conversation, we will need more details of how these proposals can achieve these goals. I hope that today we can begin to hear some of those details which will be necessary for Congress's consideration and implementation.

With that, I recognize Ranking Member Heitkamp for her opening remarks.

**RAFM Hearing – *The Challenges and Opportunities of the Proposed Government
Reorganization on OPM and GSA***
Thursday, July 26, 2018

Opening Statement of Ranking Member Heidi Heitkamp
As Prepared for Delivery

Thank you, Chairman Lankford for holding this hearing. And thank you to Ms. Murphy and Dr. Pon for joining us today.

I think everyone in this room today, as well as every member of Congress from both parties, could agree that we want a better federal government. The federal government can always do better. It can be more efficient, more effective, and do a better job of connecting with its citizens.

That's why looking at ways to improve federal agencies is always a good idea. Congress, the Administration and the public should always be exploring ways to work together, come up with ideas and execute on them.

With that in mind, I look forward to today's conversation.

The Administration has proposed some bold and interesting ideas in its government-wide reorganization proposal. One of the key proposals is the focus of today's hearing – merging most of OPM's functions with GSA and creating a new agency.

Last week, the full committee got a chance to explore the full scope of the Administration's reorganization proposal. Today, we get down in the weeds and learn more about one specific proposal – what it will mean and how it could be executed.

I am not afraid of big ideas, and Congress shouldn't be reflexively dismissive of a proposal simply because it changes the status quo. However, Congress needs more information and more analysis about this reorganization.

I am sure the witnesses are aware of the discussion from last week's hearing. I was disappointed in some of the answers I got and the Administration's reluctance and inability to provide analysis of its reorganization proposals or information about what it has the ability to execute on right now. I hope that today's witnesses will be forthcoming when we ask them to convince us that this OPM-GSA proposal would work and that it is a good idea. I hope they will share their analysis proving their assertions and details about how this proposal would actually work.

Congress needs that information so that we can fulfil our oversight duties, and also protect federal workers. Federal employees are an absolutely critical part of the federal government. We can't have the government our nation and citizens need without a strong, focused, and vibrant federal workforce. Congress needs to know how this proposal will ensure that strong workforce. Thank you and I look forward to the testimony and discussion.

Statement of Emily W. Murphy
Administrator of the U.S. General Services Administration

Before The United States Senate Committee on Homeland Security
and Governmental Affairs

Subcommittee on Regulatory Affairs and Federal Management

July 26, 2018

Introduction

Good Morning Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee. My name is Emily Murphy and I am the Administrator of the U.S. General Services Administration (GSA). Thank you for the opportunity to testify today on GSA's role in the Administration's Government Reform Plan and Reorganization Recommendations; specifically, the reorganization of certain functions with respect to the Office of Personnel Management (OPM).

GSA's mission is to deliver value and savings in real estate, acquisition, technology, and other mission-support services across government. In this testimony, I will layout the case for why GSA is uniquely positioned to build on the work of OPM and enhance the delivery of human capital operational services across government.

The Administration's Reform Plan and GSA

In April 2017, Office of Management and Budget (OMB) Memo M-17-22 directed all agencies to draft reform plans to consider a number of factors including if "some or all of the mission functions or administrative capabilities of an agency, component, or program are needlessly redundant with those of another agency, component, or program." These agency reform plan submissions helped inform the Administration's

comprehensive Reform Plan and Reorganization Recommendations,¹ which was released on June 21, 2018.

As detailed in the plan's section on the proposed reorganization of several OPM programs, the consolidation of administrative support functions into a unified, customer-centric organization is a rational approach to the management of any large operation. To that end, the plan identifies an expanded role for GSA to provide administrative services to Federal agencies through: motor vehicle fleet assessments, real estate property disposal; real estate leasing improvements; customer experience digital design consulting, and support to establish the Government Effectiveness Advanced Research (GEAR) Center.

Under the plan, GSA's role will expand most substantially through the move of certain human resource operational functions from OPM to GSA. Merging these functions, which include a broad spectrum of HR products and services, will create opportunities for operational efficiencies, IT modernization, and improved service delivery.

Given the breadth of the reorganization, OMB, GSA, and OPM all understand that we must be thoughtful and clear as we move forward. To that end, all three agencies are working together to lay out the best path toward success, particularly with regard to functions that may ultimately be merged with GSA.

Moreover, to help better ensure success, and as discussed by OPM Director, Dr. Jeff T.H. Pon, the reorganization of OPM will be phased. In this first phase, OPM's Human Resources Solutions (HRS) will be transitioned to GSA. In support of this effort, both GSA and OPM have established working groups and appointed transition coordinators, both of whom have significant experience in agency realignments.

The Work of GSA

Before I go any further, I believe it is important to share some additional background on what GSA does, to show how HRS, and other OPM functions fit with GSA's current mission.

GSA was established by President Harry S. Truman on July 1, 1949, to streamline the administrative work of the Federal government, a role that remains central to GSA's mission. The delivery of complex governmentwide services is not new for GSA. It's what we do every day.

¹ <https://www.whitehouse.gov/wp-content/uploads/2018/06/Government-Reform-and-Reorg-Plan.pdf>

GSA already excels at providing space, fleet, acquisition, travel, card services, and IT support to agencies. For small agencies, we even provide an integrated set of financial, HR, and payroll services.

As part of this work, GSA's Public Buildings Service is the largest landlord in the country. GSA owns or leases 9,624 assets and maintains an inventory of more than 375 million square feet² of workspace serving 1.1 million federal employees.

GSA's Federal Acquisition Service (FAS) manages over 205,000 fleet vehicles and has more than 19,000 vendors on schedules available to provide products and services to agencies across government. GSA's SmartPay Program, also managed by FAS, is the world's largest commercial payment solution program, providing services to more than 560 Federal organizations and Native American tribal governments, handling \$55 billion in spend annually.

GSA's Office of Shared Solutions and Performance Improvement (formerly the Office of Unified Shared Services Management) serves as an integration body that enables the delivery of high quality, high value shared services that improve performance and efficiency throughout the government. This is further supported by the Administration's Cross-Agency Priority (CAP) Goal "Sharing Quality Services," which I co-lead. The goal fits well with GSA's mission to provide competitive and high-performing mission-support services to other Federal agencies and was established to address the challenges the Federal government has faced in executing administrative support functions. These include:

- Outdated processes, old technology, and a culture of compliance, which have created a complicated and inflexible administrative environment.
- Duplication of common administrative services such as processing hiring transactions, managing Federal finances, contracts, and payroll. Rather than economizing by sharing across the Federal government, we duplicate contracts, people, and technology across hundreds of locations, costing taxpayers billions of dollars annually.
- Slow adoption of innovative solutions provided by industry, which has led the private sector to outpace our Federal capabilities.
- A past focus on short-term, rather than a strategic vision that creates an architecture for an innovative, flexible, and competitive environment.
- All of this has contributed to low satisfaction with administrative support, with 40 percent of Federal leaders reporting they aren't satisfied with administration support in the government³.

² (190 million owned; 183 million leased)

³ 2018 OMB Customer Satisfaction Survey.

Fostering an Environment for Innovative Solutions

GSA has a long history of deploying systems and services that are secure, transformative, cost-efficient and innovative. We have a number of technology initiatives that have resulted in increased business value, optimized business operations and savings for the American taxpayer, including moving to a cloud based email and collaboration system, as well as consolidating existing applications to - and developing new applications in - a centralized development platform.

As the first Federal agency to have an agency-wide chief customer officer, GSA has a long-standing culture of being customer-oriented, understanding how to bring modern IT to government, and being believers in going first and sharing things that are common. The pairing of HRS' human capital expertise with GSA's IT innovation and culture presents the opportunity to optimize the services currently provided by OPM, offer an integrated IT solution for employee lifecycle management, and drive standardization around many current hiring and performance issues. Centralizing the transaction processing and IT for administrative functions in GSA, where it is our mission to provide excellent mission-support services, will allow for OPM to focus on their core strategic mission.

The existing capabilities within GSA provide a fertile environment to increase efficiency, decrease costs, and improve the lifecycle of administrative and employee services through natural connections and interdependencies. GSA already provides HR services to OPM and other agencies through our HR Links implementation, supporting employee performance management, time and attendance, and leave management services. GSA and OPM also have an existing partnership on the Human Capital and Training Services program with OPM providing subject matter experts and GSA providing contracting expertise.

Finally, to support our vision of expanding services GSA provides to other agencies, we are working to create a new Services Management Office (SMO) to house the additional services that GSA would offer under the CAP goal. The SMO will help create a new payroll service for civilian agencies that leverages commercial technology, and will continue the transition planning for moving HRS to GSA.

Closing

GSA is committed to delivering value and savings in real estate, acquisition, technology, and other mission-support services across Government. The Administration's reform plan provides a path to re-making government to be more responsive, efficient and

effective in service to the American people. I look forward to working in partnership with this Committee, OPM, and the Federal agencies we serve to bring about that needed change. Thank you for the opportunity to appear before you today. I am happy to answer any questions you may have.



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
STATEMENT OF
DR. JEFF T. H. PON, DIRECTOR
U.S. OFFICE OF PERSONNEL MANAGEMENT
before the
SUBCOMMITTEE ON REGULATORY AFFAIRS AND FEDERAL MANAGEMENT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
on
“The Challenges and Opportunities of the Proposed Government Reorganization on OPM
and GSA”

July 26, 2018

Chairman Lankford, Ranking Member Heitkamp, and members of the Subcommittee, thank you for the opportunity to be here today to discuss the Administration’s commitment to reforming the United States Government, and aligning our agencies and Departments to better meet the needs of American citizens. As the Director of the U.S. Office of Personnel Management (OPM), and a seasoned human capital professional, I understand the importance of an effective strategy for workforce alignment and how organizations can utilize reorganization to realize positive results.

The 2.1 million-person civilian workforce represents one of the government’s largest and most impactful investments. Like any large organization, the Federal Government is only as effective as its people. Forty years ago, OPM was established in statute by the Civil Service Reform Act of 1978, and was tasked with aiding and advising the President on actions to promote an efficient civil service. This was the last time the Federal Government implemented broad civil service reform.

Today, many observers believe that the manner in which Federal agencies are required to hire, pursuant to existing law, may not be the most efficient way to pursue candidates with the best competencies for vacant positions, and may place the Federal Government at a competitive disadvantage with the private sector, which has fewer constraints on how private entities go about their hiring processes. There has not been comprehensive civil service reform in 40 years, and the last significant modifications to the hiring rules occurred 74 years ago. Over time, the hiring process has become a complex and difficult to navigate system of statutes and associated rules and regulations. On top of that, the way certain government functions and programs are organized does not enable our Federal employees to excel at delivering on mission in the most efficient and effective way possible. The current system hinders innovation by America’s incredible civil servants.

President Trump’s reorganization proposal is a comprehensive attempt to address these issues, particularly by elevating OPM’s strategy, policy and governance functions and aligning

Statement of Dr. Jeff T. H. Pon
 Director
 U.S. Office of Personnel Management
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 July 26, 2018

transaction based services in a new service-centered organization. I want to be clear on one particular point - this proposal is not a secret plan to fire civil servants, within OPM or across the government. Rather, it is an opportunity to elevate the Federal workforce management function and maximize the operational efficiency of human capital services.

Executive Order (EO) 13781, entitled "Comprehensive Plan for Reorganizing the Executive Branch," highlights the need to evaluate the organizational constructs that support today's mission delivery objectives. Building on a history of bipartisan government reform initiatives, the EO focuses specifically on the role of organizational alignment in reducing duplication and redundancy, and improving the efficiency, effectiveness, and accountability of the executive branch. To that end, the Executive Office of the President (EOP) released a plan entitled "Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations." One of the recommendations is to reorganize OPM and the process by which Federal personnel management and operations functions are coordinated. The main objective of the proposal is to enable OPM to focus on its core strategic mission, which is to serve as the chief human resources agency and personnel policy manager for the Federal Government. To accomplish this objective, we plan to blend the HR expertise of OPM with the customer delivery capability of GSA to meet the 21st Century needs for our government.

To drive real reform, the government needs to elevate Federal workforce policy, and utilize existing authority while seeking any necessary new legal authorities so that leading practices can play a larger role in driving strategic management for the entire Federal workforce. The proposal recommends moving OPM's policy function into EOP. The details of this piece of the transition would be developed in a later stage of the overall reorganization process, and would follow additional discussions with all stakeholders. Discussions are focusing on the realignment of OPM's HR Solutions, which primarily includes reimbursable HR services. By transferring these services, the human capital function can remain at OPM, allowing for a more comprehensive approach to strategic workforce initiatives for the Federal Government. With its renewed focus, OPM could better support the centralized coordination of all personnel policies for Federal employees, eliminating the confusing matrix of who does what under the current balkanized system, as well as several key gaps in policy that are inhibiting the streamlining of mission support services. OPM can concentrate on centralized policy development in areas such as employee compensation, workforce supply and demand, identification of future workforce skill needs, leadership and talent management, and other important issues. OPM would also modernize the approach to human resources policy, with a core focus on: strategy and innovation, workforce and mission achievement, senior talent and leadership management, and, total compensation and employee performance.

Merging certain OPM provided services with GSA functions will provide increased economies of scale and creates opportunity for significant cost-avoidance based on reductions in contract and IT duplication, as well as increased data sharing and availability. This merger will allow critical functions to be housed in a government-wide agency without the administrative burden and cost of operating duplicative support functions within multiple agencies.

Statement of Dr. Jeff T. H. Pon
Director
U.S. Office of Personnel Management
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July 26, 2018

The thinking behind this proposed reorganization is not unprecedented. Congress has already required, pursuant to the FY 2018 National Defense Authorization Act ("NDAA"), that the majority of background investigations be transferred from OPM to Department of Defense (DoD). As you know, OPM has long held the mission of conducting background investigations for most of the rest of Government to support the imperative need that individuals applying for Federal employment meet necessary standards of personal conduct and character, and, for many years, has also performed background investigations related to national security determinations. In October 2016, the National Background Investigations Bureau (NBIB) was formally established, absorbing OPM's predecessor investigative component and serving as the primary provider of background investigations for the Federal Government. However, the 2018 NDAA authorized the Secretary of Defense to conduct such background investigations for DoD personnel and directed the Secretary of Defense to carry out the transfer of associated personnel and resources from NBIB to DoD. In response to the government-wide impacts related to splitting the background investigative mission, the Administration has now considered realigning the entirety of NBIB functions, personnel, and resources under DoD, keeping the program intact to promote efficiency and effectiveness. This NBIB proposal would also enhance efficiency and effectiveness as it relates to other human capital operational services by creating a greater focus on OPM's core mission.

Reorganization is one tool among many that this Administration is committed to using to drive transformational change in government. The proposal would help the needs of the American people, as well as advancing the President's mandate for greater efficiency, effectiveness, and accountability in government. The proposal is focused on better aligning agencies to allow civil servants to thrive and to serve the American taxpayer more effectively and efficiently.

As with most other agencies named in the overall reorganization proposal, we are currently developing a detailed implementation plan. In support of this proposal, I am having ongoing discussions with the GSA and the Office of Management and Budget on the specifics of implementing this proposal, and how Administrator Murphy and I can best partner in carrying out this proposal. I expect to have future conversations with employee groups and Members of Congress as we gain more detailed insight into what is necessary to move forward. I understand there are a lot of questions about this proposal and the impact it would have. I look forward to having a continued conversation about it.

Thank you for the opportunity to testify and share the vision of this proposal. I welcome any questions you may have.



Statement for the Record

By

Anthony M. Reardon

National President, National Treasury Employees Union

Before

The Subcommittee on Regulatory Affairs and Federal Management

Senate Committee on Homeland Security and Governmental Affairs

On

**“The Challenges and Opportunities of the Proposed Government
Reorganization on OPM and GSA”**

July 26, 2018

Chairman Lankford, Ranking Member Heitkamp and members of the Subcommittee, thank you for allowing NTEU to share its thoughts on the Administration's plans to reorganize the Office of Personnel Management (OPM) and the General Services Administration (GSA). As National President of NTEU, I represent over 150,000 federal employees in 33 agencies and I appreciate the opportunity to discuss this important issue.

As the subcommittee is aware, on June 21st, the White House released a report detailing its plans to reorganize the executive branch entitled, "*Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*." The report is in response to the President's March 2017 Executive Order directing the Office of Management and Budget (OMB) to propose a comprehensive plan to reorganize federal agencies. The report highlights 32 proposals, which impact several agencies with employees represented by NTEU. In addition, the report proposes to break apart OPM, moving core employee policy divisions to the White House. Additionally, retirement policy and the processing of annuities, as well as the administration of the Federal Employees Health Benefits Program (FEHBP), would move to a renamed GSA, the Government Services Agency, and federal employee background investigations would be transferred to the Department of Defense. While NTEU does not represent OPM employees, we are concerned about the break-up of retirement and health care policy and operations, and the loss of needed independence from all White Houses for federal employee and workforce management policy-making and decisions. The White House's Office of Presidential Personnel has rightly been responsible for the selection and hiring of presidential appointees; however, OPM's independent authority over the career civil service-and employing agency human resources' actions and decisions-must be maintained for our government not to revert to the spoils system.

As you know, the Civil Service Reform Act of 1978 made clear that the employment system for federal employees is based on merit system principles, including that federal employees should be "protected against arbitrary action, personal favoritism, or coercion for partisan political purposes. . ." (5 USC 2301(b)(8)(A)) OPM was established as an independent agency in the executive branch to enforce the civil service rules and regulations. (5 USC 1103(a)(5) However, the President's reorganization proposal does not acknowledge these or any merit system principles upon which the law is based. Instead, it proposes to tear apart OPM and send its Employee Services office, the office that sets policy and ensures that the merit systems principles are followed, to the Executive Office of the President. That action would remove the agency's nonpartisan, independent status at a time when federal employees already fear reprisals from agency heads for not showing enough support for this administration's policies.

Regarding the plan to move Retirement Services and the administration of the FEHBP to GSA, we are concerned due to GSA's lack of experience with retirement policy and processing, or with health care policy and administration. Furthermore, as the federal government looks to recruit and retain employees in the future, it will be difficult for OPM to have a clear picture of the government's benefits package and whether its offerings are competitive if the responsibility

and expertise is divided amongst different agencies. Moreover, it is unclear how this change will improve government efficiency if federal employees and retirees are faced with navigating a bureaucratic maze of various agencies to gather information about their service history, benefits, etc. Even the administration's plan to develop an employee digital record will be difficult to achieve if key components like retirement or healthcare processing are moved to agencies other than OPM.

We believe that an independent, central personnel agency outside of the Executive Office of the President is important for a non-partisan civilian workforce of two million. Breaking up OPM is not the best way to ensure mission performance. Rather, we believe properly funding the agency is the best solution. OPM has been underfunded for years, contributing in part to its massive data breach and retirement processing backlogs.

NTEU is not against reforming some aspects of the government. However, previous large-scale reform and reorganization efforts failed to accomplish their stated goals. Instead, we've experienced overly ambitious efforts to reform the civil service that eroded employee rights and employee morale or haphazard efforts to reduce the number of federal workers by cutting an arbitrary number of personnel, implementing a hiring freeze, or failing to replace employees who had retired resulting in gutted agencies and largely contributing to the looming retirement crisis facing the federal government today. In fact, one of the biggest lessons and failures of the Clinton-Gore Administration's so-called "Reinventing Government" initiative was the hollowing out of positions and focus on out-sourcing, leaving agencies unable to conduct proper workforce planning, and without a skilled workforce in place---which devastated agency's abilities to effectively perform their responsibilities, opening up federal agencies and workers to criticism. Under this Administration, it is unfortunate that there has already been a lost opportunity to improve government by not engaging with, and including, frontline employees in ways to improve agency functions and operations from the very beginning. So far, our ideas have been routinely ignored, and we have not been invited to join in discussions on improving efficiency and effectiveness in government programs. Moreover, the administration has not released key details about these proposals—including the impact on employees, the cost-benefit analysis, and whether the proposals can be implemented without legislation.

I ask this subcommittee to continue to push for additional information, to continue exercising congressional scrutiny and oversight over these proposals, and to work with federal employee organizations to obtain input from frontline workers. If this administration really wants to reform the government, dismantling the agency that can help them do that makes no sense. Nor does it make sense to freeze out those who know how government is supposed to work.

Thank you for allowing me the opportunity to share NTEU's views.

**Post-Hearing Questions for the Record
Submitted to the Honorable Emily Murphy
From Senator Claire McCaskill**

**“The Challenges and Opportunities of the Proposed Government Reorganization on OPM
and GSA”**

July 26, 2018

**1. How many public comments did GSA receive pursuant to the May 15, 2017,
Federal Register notice?**

A: GSA received 24 comments specific to GSA; however 129 additional comments related to broader government reform were shared by OMB with GSA.

**a. Is GSA able to identify how many comments were submitted by individuals
and how many were submitted on behalf of organizations? If so, please
provide a breakdown of those submissions.**

A. It is not clear which comments were submitted by individuals or on behalf of organizations. The information forwarded to us consisted of spreadsheets of comments that included an “organization” column, but it is not clear whether the individuals who entered information in that section were acting on behalf of that organization or merely entering the organization where they work.

b. Did GSA establish any policies regarding the intake of comments?

A. The intake of comments on behalf of Federal agencies was managed by OMB via the portal at <https://www.whitehouse.gov/reorganizing-the-executive-branch>. OMB provided GSA with the public comments in cases where the commenter selected “GSA” as an agency for reform or elimination. These comments were reviewed and used in the development of the GSA agency reform plan.

**c. What process did GSA use to analyze these comments? What methods, in
particular, were employed to identify and support the proposals that were
included in the Administration’s plan?**

A. OMB received public comments and organized, tallied, and sorted the comments by agency. Public comment files were then made available to GSA and other agencies through an internal website in three tranches: May 8, June 2, and June 19, 2017.

In developing the Agency Reform Plan submission to OMB, a wide range of inputs were considered, including public comments collected, as well as inputs and feedback gathered from interviews and focus groups with external stakeholders,

which included customers of GSA, Federal agencies, executive councils, advisory groups, affinity groups, and industry thought leaders. Inputs were also collected from GSA employees via an all-employee survey questionnaire, as well as from GSA program owners/executives who reviewed the overall functions of GSA and the core mission/functions of each specific program office. Data from all these sources were reviewed by the GSA senior leadership team. These senior leaders worked through a process to reach consensus and select the most promising proposals to pursue.

d. Did GSA retain the comments that it received pursuant to the Federal Register notice?

A. Yes; GSA followed the appropriate records management and retention policies.

e. Please provide copies of the comments that were received by GSA.

A. See attached file. Please note that PII information has been deleted.

2. How did GSA solicit input and comments from its employees?

A: In May of 2017, GSA's Acting Deputy Administrator issued a survey to all GSA employees asking for ideas to improve mission delivery and inform the development of the GSA Agency Reform Plan. The survey closed in June of 2017. The Acting Deputy Administrator also sought ideas directly from Heads of Staff and Service Offices across the Agency.

a. How was that input used?

The input was shared with the senior leadership team and used to shape the development of GSA's Agency Reform Plan (ARP), which was submitted to OMB in September 2017. With the focus on improving mission delivery, the Acting Deputy Administrator also convened bi-weekly meetings with Federal Acquisition Service (FAS) and Public Building Service (PBS) leadership to review the ideas and shape the final ARP.

b. How many comments were received?

586 comments were received. Employees from all GSA organizations and regions contributed ideas and comments.

3. Where did the idea to transfer Human Resources Solutions (HRS), retirement services, and healthcare and insurance from the Office of Personnel Management (OPM) to GSA originate from?

A: The President's Reform and Reorganization Plan entitled "Delivering Government Solutions in the 21st Century," published on June 21, 2018, outlines the idea and the proposed reform initiative. When agencies were asked to submit their government reform proposals, GSA

acknowledged that it had imperfect insight into where it could best support other agencies. In doing so, we expressed our willingness to adopt shared services offered by other agencies if there was better mission alignment or value add at GSA. GSA broadly proposed several reform initiatives that would help improve efficiency, reduce redundancy and reduce costs across government in back office and administrative functions such as fleet, procurement, and real estate services.

a. Who are the members of the GSA Task Force charged with implementation of this transfer and what are their roles and responsibilities?

A: The GSA Task Force is led by Mary Davie, a senior executive in GSA and the Task Force has representation from PBS, FAS and all GSA staff offices. The task force members are charged with developing the transition and implementation plan to move OPM functions and technology to GSA. GSA staff offices have been coordinating with their OPM counterparts to better understand how the various C-Suite Office (CxO) offices support OPM functions and what actions need to be completed to ensure the successful transfer to GSA.

b. What authorities does GSA have to assume HRS?

A: GSA has existing statutory authorities to perform human resources services for Federal agencies and small boards and commissions on a full cost recovery basis through the Working Capital Fund found at 40 U.S.C. § 3173 and the Acquisition Services Fund found at 40 U.S.C. § 321. In fact, many statutes creating small boards and commissions direct GSA to provide the administrative support such as human resources management, budget, accounting, and payroll services on a reimbursable basis.

One example of the HR services GSA currently provides is HR Links. HR Links is a major application that provides personnel action and benefits processing for GSA employees and other Federal agencies including the Office of Personnel Management. GSA's Federal Acquisition Service also provides a wide variety of human resources services and solutions for Federal customers through Schedule 738 X and Schedule 736. This includes HR program development, executive searches, planning services such as modeling and forecasting, recruitment and placement services from web-based global recruiting firms, surveys and assessments in support of workforce improvements, temporary administrative support services, and HR specific workshop training in support of staff development. The Human Capital and Training Solutions Program is a partnership between GSA and OPM comprised of two IDIQ governmentwide contract vehicles to provide reliable, flexible, fast and efficient ways to obtain the best value customized solutions for human capital management and training requirements.

GSA possesses the necessary statutory authority to transfer all HRS functions under 40 U.S.C. § 121.

c. How will the HRS offerings differ from similar contract vehicles and services currently offered by GSA?

A: As part of the transition planning, reviews of both GSA's and OPM's HRS offerings are underway to ensure similar and complementary offerings can be brought together and we reduce or eliminate redundant offerings and to expand the capabilities offered by both organizations providing further value to the federal government in human resource solutions.

GSA believes HRS' human capital subject matter depth combined with the broad reach of GSA can accelerate improvements in workforce and organizational performance and lead to better government. Working together, we have already identified a number of similarities and differences.

GSA and HRS currently partner to provide the Human Capital and Training Services (HCaTS) contracts to federal agencies. GSA also offers some administrative and staffing services through the GSA Schedules. HRS delivers products and services through government employees with expertise in human capital policy and operating environments that include HR specialists, industrial/organizational psychologists, educators, IT specialists and program managers.

Like GSA, HRS offers assisted acquisition services. HRS also offers organizational design, leadership development and training, and strategy and evaluation services and GSA manages the Federal Acquisition Institute.

HRS provides an array of consultative, developmental, and programmatic human capital solutions and service across the federal space and receives high ratings for its services. This transition will allow HRS and GSA to accelerate and implement the next generation of human capital solutions as the Federal government's provider of choice. These solutions will rely on solid IT enterprise infrastructure, implementation of digital solutions, and leverage GSA's strengths in acquisition, evidence-based decision making, evaluation sciences, and customer engagement strategies.

4. Has GSA conducted a business case analysis for the assumption of HRS? If so please provide that analysis. If not, how does GSA support its contention that it is more effective and efficient to transfer HRS and that GSA has the necessary resources and infrastructure to assume these functions?

A: GSA and OPM have developed a qualitative business case. GSA and OPM expect to brief staff on the analysis. Our analysis incorporates a review of both GSA and OPM HRS offerings, GSA and HRS customers. GSA and HRS business models, GSA and OPM Strategic Plans, alignment with Cross Agency Priority Goal initiatives, and includes a benefits assessment. GSA and OPM leaders are exchanging information to build out a transition and implementation timeline and plan to ensure that GSA will be prepared to assume the functions with the

necessary resources and infrastructure. As a government-wide provider of a number of services to other agencies, such as fleet, payroll and other human resources related functions, GSA has the necessary infrastructure in place to support the HRS functions, although we anticipate we will make some additional investments to support HRS business operations.

a. Has GSA prepared cost estimates for implementation? If so please provide these estimates.

A: GSA is working with OMB and OPM to develop cost estimates for implementation and is currently working on the 2020 Budget submission. GSA will be happy to brief on those costs once the estimates are finalized.

b. What are the expected costs and savings associated with the transfer?

A: GSA, OPM and OMB are working to determine estimates and any potential savings associated with the transfer. GSA anticipates making upfront investments that also provide opportunities for longer term efficiencies and savings which include: phasing out legacy IT systems at OPM and starting anew with more modern systems at GSA; re-badging and transition of OPM employees to GSA; reviewing OPM facility leases to determine any impacts; and reducing overhead and duplication of administrative support. Over the long-term, however, we anticipate that hosting a true end-to-end scheme for the government's employee-centered activities under one roof will result in cost savings. GSA and OPM have recently lowered the Human Capital and Training Services' (HCaTS) Contract Access Fee to make the program more competitive, which is a great example of the efficiencies gained, and value created, by transferring the Human Resources Solutions portfolio to GSA.

c. Has GSA conducted a workforce impact analysis for the transfer? Please provide that analysis. If GSA has not conducted this analysis, how will it assess workforce impact?

A: GSA and OPM will conduct a workforce impact analysis as part of the transition planning activity.

d. How does this transfer of services to GSA serve the taxpayers and improve customer service?

A: By centralizing operational human resources services in one agency, unique business value is created through the synergy of OPM's human capital subject matter depth with the broad reach of IT, acquisition expertise and customer engagement capabilities at GSA. Together, this merger can accelerate improvements in federal talent management by expanding services and making investments in technology to improve offerings and operational efficiency. The two entities, merged, have the potential to deliver new offerings as well as more robust offerings than each could do separately. These accelerated enhancements to OPM programs align with

both OPM and GSA Strategic Plans as well as the President's Management Agenda (PMA) and designation of GSA as a shared services provider for human resources solutions.

The existing capabilities within GSA provide a fertile environment to increase efficiency, decrease costs, and improve the lifecycle of administrative and employee services through the natural connections and interdependencies. GSA already provides HR services to OPM and other agencies, including time and attendance and leave management services. GSA and OPM also have an extensive partnership on the Human Capital and Training Services program, with GSA and OPM each providing subject matter experts and contracting expertise.

e. When will GSA share the information its task force develops on this proposal?

A: OMB, GSA and OPM provided a briefing for OGR and HSGAC staff July 19, 2018 on the transition, and we held bicameral follow up briefings for Congressional authorizing and appropriations staff on September 21, 2018. Our aim is to provide regular updates throughout the transition process.

f. Does GSA possess the statutory authority to use its existing revolving funds to finance OPM's Human Resources Solutions (HRS)? If not, what statutory changes are required to provide that authority?

A: Yes, GSA has at least two funding sources available to finance the activities of OPM's Human Resources Solutions. As previously mentioned, GSA already performs human resources services for federal agencies and small boards and commissions on a full cost recovery basis through the Working Capital Fund and Acquisition Services Fund. In fact, many statutes creating small boards and commissions direct GSA to provide the administrative support such as human resources management, budget, accounting, and payroll services.

As stated above, one example of the HR services GSA currently provides is HR Links, which is a major application that provides personnel action and benefits processing for GSA employees and other Federal agencies including OPM. GSA's Federal Acquisition Service through the Acquisition Services Fund also provides a wide variety of human resources services for federal customers through Schedule 738 X and Schedule 736. This includes HR program development, executive searches, planning services such as modeling and forecasting, recruitments and placement services from web-based global recruiting firms, surveys and assessments in support of workforce improvements, temporary administrative staffing services, and HR specific workshop training in support of staff development. The Human Capital and Training Solutions Program is a partnership between GSA and OPM comprised of two IDIQ governmentwide contract vehicles to provide reliable, flexible, fast and efficient ways to obtain the best value customized solutions for human capital management and training requirements.

g. Will OPM's revolving fund be transferred to GSA to finance HRS functions? How much will be transferred?

A: GSA, OPM and OMB are examining the funding authorities for OPM and GSA and will make a determination as to what fund or funds are most appropriate to perform OPM's functions as part of GSA.

h. What additional appropriations are needed to finance HRS staffing and activities upon transfer to GSA?

A: GSA, OPM and OMB are reviewing requirements to transition HRS staffing and activities to GSA. Upon transfer, these activities would be funded primarily through revenue collections, as they are today. We anticipate that any additional cost estimates to implement the OPM transition will be reflected in the President's FY 2020 Budget.

5. What is the process for the transfer of retirement and healthcare benefits to GSA?

A: As part of the FY 2020 Budget process, OMB, GSA, and OPM are analyzing the move of retirement and healthcare benefits and believe there is significant value in transferring these functions to GSA, including support functions such as OPM's IT infrastructure. We are committed to engaging with Congress and all relevant stakeholders, including unions, federal employees, retirees and others.

a. What stakeholders have been contacted or will be contacted?

A: (see answer to Q5)

b. When will GSA begin to share data on the cost of this transfer?

A: (see answer to Q5)

c. What authorities will be used when authorizing this transfer?

A: (see answer to Q5). GSA has the authority to transfer OPM's HRS and IT functions administratively, and is exploring whether additional authority will be required to effectuate the move of retirement and healthcare benefits to GSA.

d. What analyses has GSA conducted regarding its ability to address the retirement backlog and proceed with process and system modernization?

A: (see answer to Q5)

6. What is the composition of GSA's current cybersecurity workforce?

A: The GSA IT organization has 34 cybersecurity federal staff, although there are another 46 cyber FTE in other parts of the agency, largely focused on external federal agency customers. GSA's experience with securing systems, networks and data both internally and externally, will

provide a model that should make the work of integrating two SecOps organizations slightly less complex.

The cybersecurity workforce at GSA uses the roles as defined in the NICE (National Initiative for Cybersecurity Education) framework. Cyber workforce roles at GSA include but are not limited to: Cyber Policy & Strategy Planning, Security Control Assessors, Systems Security Analysts, Cyber Defense Incident Responders, Vulnerability Assessment Analysts, Secure Software Assessors, Security Architects, Information Systems, Security Managers (ISSMs), IT Program Auditors, Privacy Compliance Managers, and Executive Cyber Leadership.

a. How will the transfer of HRS to GSA further enhance the broader goal of creating a unified cybersecurity workforce?

The transfer of HRS to GSA will enhance the goal of a unified cybersecurity workforce by allowing us to recruit, retain, retrain, and recognize a highly-qualified workforce. By blending cyber workforces, this effort also reduces the amount of interagency competition for cybersecurity roles across government. As part of our assessment phase, GSA also plans to conduct a skillset assessment of OPM's cybersecurity workforce.

b. How will the transfer of HRS address chronic underinvestment in OPM's cybersecurity workforce and how will GSA's cybersecurity workforce investment strategy change after the transfer?

GSA has a robust security program and a skilled cyber workforce, and we believe we can help bolster the underlying cybersecurity challenges that OPM has encountered. GSA expects that we can take advantage of economies of scale within our existing cyber program to help ensure the foundation of any cyber workforce transferred, but believes that additional cyber investment will likely be necessary with the transfer of the HRS program.

As part of our existing strategy, in FY18, GSA performed a cyber workforce assessment survey to fill any gaps with existing cyber skills within GSA cyber staff. As a result of the survey, GSA procured and offered multiple security certification training courses to existing cyber staff. GSA plans to continue to offer role based technical training on emerging cybersecurity tools and technologies to its cyber workforce that can be leveraged to perform daily job duties. GSA also plans to hire additional cyber security professionals to fill work roles of critical needs. GSA believes that this type of investment strategy will also be beneficial to OPM cyber professionals that may transfer to GSA.

7. What analyses has GSA's Office of the Chief Information Office (CIO) conducted regarding assumption of OPM legacy IT systems and modernization efforts?

GSA IT has initiated an analysis to determine OPM's current technology footprint (including both legacy and modern IT systems). GSA IT's goal is to create a checklist that will allow us to determine the health of OPM's IT systems and determine any additional investments required to

modernize their legacy IT systems. GSA IT is assuming that systems transitioning to GSA may require modernization, and our implementation plan will reflect that assumption.

8. What is the strategy and implementation plan for assumption of OPM's legacy IT systems?

GSA will create an implementation plan that covers four key technology tracks: (1) Budget & Contracting, (2) Resource Management, (3) Security & Policy and (4) Enterprise Applications, Infrastructure and Strategy. Our strategy is to complete in-depth reviews and analysis of current OPM infrastructure and IT services by Q1 FY 2019.

9. How will this transfer of services to GSA from OPM better protect system data from a cyberattack?

GSA will assess the risk posture of the IT systems in OPM and their security impact levels. GSA has a robust security environment and multi level security tools and technologies at the endpoint and network layers to protect against today's advanced cyber attacks. The IT systems, infrastructure and personnel transitioning to GSA will be better protected by the "defense in depth" and risk management-based approach to cybersecurity. The IT systems transitioning to GSA will be integrated with GSA's enterprise security tools and processes of secure configuration management, vulnerability management, patch management, security information and event management (SIEM), application whitelisting and perimeter security.

Post-Hearing Questions for the Record
Submitted to Emily Murphy, Administrator of General Service Administration
"The Challenges and Opportunities of the Proposed Government Reorganization
on OPM and GSA"
From Senator Heidi Heitkamp

1) This hearing focused on just one piece of the larger reorganization proposal. But even this one piece is pretty large. We are talking about eliminating one agency and greatly expanding the responsibilities of another. This proposal will not only greatly impact all the employees who work at OPM and GSA, but also the entire 2.1 million-person civilian federal workforce, and all federal retirees.

What problems at OPM does this proposal solve?

A: With regard to transactional work, by removing repetitive operational functions from OPM and moving them to GSA, it will allow GSA to focus on shared service delivery while allowing the policy functions to focus on the government-wide HR policy challenges highlighted by GAO and others. This operational focus is in direct line with GSA's core mission since its establishment by President Truman in 1949 to streamline the administrative work of the Federal government. Further, both GSA and OPM believe this is an opportunity to elevate the Federal workforce management function and maximize the operational efficiency of human capital services.

How will implementing this proposal make our federal government more effective or efficient?

A: GSA, as the administrative backbone of the federal government, is well positioned to provide human resources services to the federal workforce. Ultimately, GSA is striving to provide quality services to the federal workforce with an overarching goal to also provide the very best stewardship of the American taxpayers' money.

The consolidation of human resources functions and systems will aid in standardizing, simplifying, and unifying to keep administrative costs down and to enable the government to run more efficiently. By centralizing transactional, consultative, and educational human resources services in one agency, unique business value is created through the synergy of OPM's human capital subject matter depth and GSA's IT, acquisition expertise and customer engagement capabilities. This merger can accelerate improvements in federal talent management by expanding services and making investments in technology to improve offerings and operational efficiency. The two entities, merged, have the potential to deliver new and more robust offerings than each could do separately. These accelerated enhancements to OPM programs align with both OPM and GSA Strategic Plans as well as the President's Management Agenda (PMA) and designation of GSA as a shared services provider for human resources solutions.

As an example, the federal government consolidated 22 payroll systems into four fifteen years

ago, which resulted in increased efficiency and cost avoidance for federal agencies. GSA is now standing up shared services for Payroll and other functions outlined in the PMA. GSA is supporting time and attendance as well as other HRIT functions. With HR Solutions moving to GSA, that also means much of the HR IT infrastructure such as the USA Suite of applications will move to GSA. These systems are heavily used across government today to advertise positions and fill vacancies, and to manage staffing and performance.

What data can you provide this subcommittee to prove your point?

A: GSA already excels at providing Space, Fleet, Assisted Acquisition, Travel, Card Services and IT support to agencies. For small agencies, GSA provides an integrated set of financial, HR, and payroll services. GSA provides end-to-end service for Commissions and Boards including a full array of administrative and real estate support services, including but not limited to, human resources, payroll, office space, furniture, phones, IT, legal, and contracting.

Specific examples include:

GSA's SmartPay Program is the world's largest commercial payment solution program, providing services to more than 560 Federal agencies, organizations and Native American tribal governments. 3.5M Account holders (purchase, travel, fleet). Total spend through the program in 2017 was 28.6B (increase over 2017) and net refunds of \$217M provided.

GSA's Fleet program is another example of shared services resulting in efficiencies and savings. GSA Fleet provides over 214,000 quality vehicles and efficient and economical fleet management services to over 75 participating federal agencies costing agencies 26% less than those agencies who maintain independent Fleet programs. The GSA Fleet is one of the largest non-tactical fleets in the United States.

Since 2003, the HR Line of Business shared services strategy has produced improved human capital outcomes and quantifiable cost savings. To date, over 99 percent of agencies have migrated to a payroll provider and over 88 percent of agencies have migrated to an HR SSC. This consolidation resulted in over \$1 billion in cost savings and cost avoidance through the end of FY 2013, and is anticipated to result in over \$1.6 billion through FY 2015, and an additional \$194 million a year thereafter.

GSA has proven experience achieving cost savings and efficiencies through consolidating/merging administrative functions. GSA consolidated its CxO functions into a Working Capital Fund (WCF)-driven, internal shared service in FY14. A 2018 independent study conducted by Price Waterhouse-Coopers to assess the results of this consolidation over time found that GSA's WCF organizations achieved operational efficiencies of 14 percent from FY14 to FY19. Specifically, the study found that total WCF obligations decreased 8 percent when adjusted for subsequent consolidations of functions into the fund, despite the fact GSA's total obligations as an agency grew 14 percent over the same time period.

In addition, the January 2017 report from Technology CEO Council estimated \$47B in savings potential from increased use of shared services across the Federal space.

Annual increases in customer and employee satisfaction scores also demonstrate federal agencies find value in GSA's offerings and our employees feel GSA is one of the best places to work in government. For example:

- Customer satisfaction with the Federal Acquisition Service (FAS) overall increased by 0.2 from 7.4 in FY17 to **7.6 in FY18** (on a 10-point scale).
- FAS customers also noted an increased satisfaction in "value" - scores increased by 0.3 from 7.4 in FY17 to **7.7 in FY18** (on a 10-point scale).
- Customer satisfaction and Value with the GSA/OPM Human Capital and Training Solutions (HCaTS) contract is 8.0 (on a 10-point scale).
- GSA is a great place to work, based on our Federal Employee Viewpoint Survey results
 - GSA's FEVS scores have improved consistently each year from 2013 to 2017.
 - Generally GSA rates second-highest among "large agencies" (10,000-24,999 employees) behind NASA in most categories including:
 - Employee Engagement -- GSA's score has risen from 76 to 83 compared to average score of 81 among large agencies (OPM is a small agency and scores 81)
 - HCAAF Job Satisfaction -- GSA's score has risen from 67 to 73 (average is 69, OPM score is 69)
 - General Satisfaction -- GSA's score has risen from 65 to 75 (average is 69, OPM score is 69)
 - The Partnership for Public Service (PPS) notes in its annual Best Places to Work survey that among 25 "mid-size agencies," GSA ranks 10th and GSA's score rose from 68.4 in 2016 to 73.7 in 2017, the 4th largest jump in the index. (OPM is ranked 17th and their score went down year-over-year from 66.2 to 65.7.)
- GSA's infrastructure and internal service providers / CxOs
 - GSA satisfaction with Human Capital services internally ranked 5th among all agencies with a score of 5.04, compared to the government-wide median of 4.60 (OPM score was 4.67)
 - GSA satisfaction with IT function ranked 4th among all agencies with a score of 5.41, compared to a government-wide median of 5.26 (OPM's score of 3.99 ranked last among all agencies)
 - GSA satisfaction with Financial Management function ranked 12th with a score of 5.14, compared to the government-wide median of 5.11 (OPM's score of 4.70 was ranked third to last)

How will this proposal impact the core missions that currently GSA focuses on?

A: This proposal is very much in line with the core mission of GSA. As mentioned in my testimony, GSA was established by President Truman on July 1, 1949, to streamline the administrative work of the Federal Government, a role that remains central to GSA's mission. GSA excels in providing a wide variety of mission support services to agencies, including support for acquisition, fleet management, real property, travel services, and financial management tools. Additionally, for small agencies, GSA provides an integrated set of financial, HR, and payroll services.

GSA also serves as an integration body, enabling the delivery of high-quality, high-value shared services that improve performance and efficiency throughout the government. This is further supported by the administration's Cross-Agency Priority goal, "Sharing Quality Services," which I co-lead. The goal exists to address the fact that 40 percent of federal leaders report that they are not satisfied with the administrative support in the government.

The existing capabilities within GSA provide a fertile environment to increase efficiency, decrease costs, and improve the lifecycle of administrative and employee services through the natural connections and interdependencies. GSA already provides HR services to OPM and other agencies, including time and attendance and leave management services. GSA and OPM also have an extensive partnership on the Human Capital and Training Services program, with GSA and OPM each providing subject matter experts and contracting expertise.

2) At the HSAGC hearing on July 18 where Margaret Weichert testified, we heard a lot of answers along the lines of – 'We still need to figure this out' or 'We need to work through that.' One of my takeaways from that hearing was that more study and development is needed on these proposals.

In your minds, has enough analysis been done to determine that this is a good idea?

The consolidation of back office operations into a single entity that specializes in the delivery of these services is a solution which many large organizations have successfully implemented. As stated in the response to the previous question, the delivery of complex, government-wide services is not new for GSA and is our primary mission. In many of these cases, we are able to leverage the purchasing power of the Federal Government to secure better deals for the taxpayer. GSA excels in providing a wide variety of mission support services to agencies, including support for acquisition, fleet management, real property, travel services, and financial management tools. Additionally, for small agencies, GSA provides an integrated set of financial, HR, and payroll services.

The HRS Business Case has been developed and GSA and OPM will continue to do additional analysis on how to integrate OPM functions into GSA in an efficient manner that takes into account the Federal employees who use the services.

Has enough research been done to determine that this is feasible?

From a mission delivery perspective, we believe the merger will bring value and efficiencies to federal agencies. GSA is actively working with OMB and OPM to determine the best approach to integrate the transactional, consultative and educational human resources solutions with GSA.

Will you commit to sharing with Congress all the analysis developed in the implementation of this proposal?

GSA is committed to working with Congress and their staff in providing information on the transition. OMB, GSA and OPM provided joint briefings for HOCR and HSGAC staff in July and September.

3) OPM and GSA submitted reorganization proposals to OMB as part of this overall reorganization effort that was set in motion by the President's Executive Order last year.

What were the key recommendations in the proposals your agencies sent OMB that would have improved agency effectiveness and efficiency?

A: In GSA's Agency Reform Plan (ARP) submitted to OMB, there were 14 specific actions recommended. The actions aligned to the enhancement or improvement of GSA's traditional lines of business--acquisition, real estate, and technology. It also focused on expanding GSA's role in designing and delivering expanded and shared services within GSA and across the Federal government. The plan discussed expansion of shared services in relation to its traditional service offerings, such as acquisition, real estate, travel, and fleet.

Did you have further conversations with OMB about those proposals?

A: Yes, we have had discussions with OMB post proposal submissions.

Did either of your agencies propose anything along the lines of the OPM-GSA merger that was included in the final administration proposal?

A: GSA broadly proposed several reform initiatives that would help improve efficiency, reduce redundancy and reduce costs across government in back office and administrative functions such as fleet, procurement, and real estate services.

Why or Why not?

A: While GSA did not unilaterally propose moving the human capital services from OPM to GSA, GSA has been a leading advocate for consolidating administrative functions and advancing government-wide shared services. Moving HRS into GSA is in keeping with that view.

When agencies were asked to submit their government reform proposals, GSA acknowledged that it had imperfect insight into where it could best support other agencies. In doing so, we expressed our willingness to adopt shared services offered by other agencies if there was better mission alignment or value add at GSA.

To the best of your knowledge, who came up with the idea to break apart OPM and move it to different agencies?

A: GSA supports the proposal outlined in the President's Reform and Reorganization Plan that reorganizes OPM by elevating its core strategic mission and moving certain fee for service operational functions to GSA. This proposal is aligned to our core mission and the President's Management Agenda. The reorganization ideas were developed through a series of iterative conversations following the issuance of OMB M-17-22. In this connection, Congress itself mandated a major restructuring of OPM. Specifically, the NDAA for FY18 requires that responsibility for most background investigations be transferred from OPM to DoD; this transfer will result in a major revenue loss for OPM and put a strain on central support functions that are currently funded in part from background investigation revenue. The legislative transfer of background investigations necessitated a reexamination of OPM's structure and functions.

Will you provide the plan that your agency submitted to OMB so that Congress can better understand the development of the final proposals?

A: GSA's proposals were either internally facing or relied upon OMB to examine cross agency opportunities. As this proposal was developed as part of a suite of cross-agency proposals, GSA does not believe that we have anything substantive to provide in response to this question.

4) When the President released his reorganization plan last month, it talked about some of the challenges that OPM has experienced in recent years such as data breaches, background investigations backlogs, and IT problems.

Do you agree that the best way to improve and overcome those types of challenges is to dismantle OPM and move its functions to other agencies?

A: As outlined in the Government-wide Reform Plan, by realigning certain functions currently performed by OPM to GSA, there is an opportunity elevate the Federal workforce management function and to maximize the operational efficiency of human capital services.

GSA serves as an integration body, enabling the delivery of high-quality, high-value shared services that improve performance and efficiency throughout the government. This is further supported by the administration's cross-agency priority goal, "Sharing Quality Services," which I co-lead. The goal exists to address the fact 40 percent of federal leaders report they are not satisfied with the administrative support in the government.

The existing capabilities within GSA provide a fertile environment to increase efficiency, decrease costs, and improve the lifecycle of administrative and employee services through the natural connections and interdependencies. GSA already provides HR services to OPM and other agencies, including time and attendance and leave management services. GSA and OPM also have an extensive partnership on the Human Capital and Training Services program, with GSA and OPM each providing subject matter experts and contracting expertise.

What shows us that moving these functions is going to improve their outcomes?

Will DOD automatically be better than OPM at background investigations?

A: GSA defers to DOD and OPM to answer this question. GSA notes the transfer of background investigations to DOD from OPM was directed by Congress.

Does GSA have better cybersecurity than OPM?

A: GSA has a robust IT Security Program; mature IT and security stack with best of breed cyber tools and capabilities; and, skilled Federal and contractor security professionals that we believe will benefit OPM. GSA meets or exceeds 8 out of the 10 Cybersecurity Cross Agency Priority (CAP) Goals and is rated at "Managing Risk" in 4 out of the 5 areas with an Overall Rating at "Managing Risk" in the Quarterly RMA scorecard. GSA has efficient security audit management resulting in reasonably clean security audits and is one of the leading agencies among CDM Task Order-2 Delta Agencies with full enterprise-wide deployment of CDM Phase 1 tools and capabilities.

5) A merger of two agencies is not just a merger of people. It is also a merger of systems and data. We all know the federal government's less-than-perfect track record on Information Technology (IT) issues. A merger such as this can't be successful unless an IT solution is found and developed. I know my staff has been told that there are "a lot of Shared platforms" but "a lot" is not everything.

What can you share about your work to determine if the IT systems at these agencies can be merged?

GSA is developing an integration framework that consists of in-depth reviews and analysis of current OPM infrastructure and IT services, which will be completed by Q2 FY 2019. This will enable GSA IT to develop a long-term roadmap for all the IT assets being transitioned. We anticipate that our findings will demonstrate considerable benefit to shifting OPM's IT to GSA in the near-term.

GSA's approach will involve reviewing OPM's business capabilities and understanding how IT enables the delivery of services for each capability. In addition, the IT review will consist of

understanding the security, privacy, infrastructure and technology requirements for each system and how to best integrate them into the GSA environment. For example, determining what changes need to be made to the GSA systems so we know that OPM's data from its retirement and health care accounts can be accessed.

6) This proposal eliminates the agency that is supposed to protect and nurture the federal workforce and merges its functions with a different agency. I know I have heard from several federal employee groups with great concerns about this proposal, and I imagine you are also aware of those concerns.

What engagement have you had with your own employees and federal employee groups about this proposal and its impact?

A: I sent an agency-wide message to GSA employees about the proposal and its potential effects the day that the administration's plan was announced (6/21). That message also included an invitation to an agency-wide town hall that we held six days after the plan was announced (6/27). The town hall was held in GSA's auditorium and streamed on our intranet. Employees were able to email questions to ensure we were able to engage with GSA employees regardless of their duty station or work location and the livestream included more than 7,000 participants.

Additionally, the day after the town hall (6/28) Deputy Administrator Brigati sent out an agency-wide message directing employees to send questions and recommendations about the reform plan proposals to a shared GSA email address. The message also included the video of the town hall.

GSA also established an intra-agency task force led by Mary Davie that includes representatives from each of GSA's service areas and staff offices. The task force held its first meeting the day the administration's plan was announced and meets at least once each week to discuss how the plan may affect them and their colleagues. The task force reviews each message sent to the shared email address. Ms. Davie sent a follow up agency-wide message about a month after the administration's plan was announced (7/20) to solicit additional feedback from GSA employees. Each of the specific agency-wide communications were also featured in a GSA-wide newsletter to further ensure effective communication with GSA employees. We also sent out a video from the task force to all employees in September, again, asking for feedback, and held another townhall in October. OPM also plans to incorporate federal agencies and employees in the planning process during the transition.

What is your strategy to engage with those groups if you are able to move forward with these proposals?

A: In addition to the communications already made and the ongoing work of the task force, GSA plans to work with OPM to develop a comprehensive communications plan to ensure GSA and

OPM employees and vital stakeholders receive accurate and timely information ahead of key dates in the transition and implementation plan to move OPM functions and technology to GSA.

Can this proposal be successful without acceptance and understanding from federal employees?

A: GSA and OPM are committed to working with all employees to provide information and garner input throughout the transition. This proposal can be best achieved with the support and understanding of the federal employees that will be charged with carrying out the transition and supporting the functions, as well as those employees who are and will be the recipient of the human resources solutions offered by GSA.

How are you going to deal with potential morale challenges that result from this merger?

A: As outlined previously, GSA has opened several lines of communications for staff to communicate about how the administration's reform proposal may affect them, their work and the agency. GSA will directly include OPM and GSA employees in the transition planning efforts and will continue to maintain clear lines of communication with staff to identify challenges and address questions throughout the transition.

7) A significant part of this proposal is presumably going to be moving personnel from OPM to the new GSA. I want to get your thoughts on how that would work for your average OPM employee.

Is John Smith, an OPM employee, just going to leave OPM on a Friday and show up for work at GSA on Monday, or, when John Smith transfers from OPM to GSA, does his administrative footprint come with him, i.e. the OPM IT processes, OPM administration, OPM rules?

A: OMB, OPM and GSA are currently working on these implementation issues and will have more information in the coming months. GSA and OPM employees representing each agency's respective Office of the Chief Information Officer, Office of General Counsel, Office of the Chief Financial Officers and many other offices have held meetings to discuss the scope of the auxiliary activities that would be part of the transfer.

Based on your initial analysis, what will be the impact of this merger on the total number of employees currently at OPM and GSA? Do you expect it to be less, the same, or more?

A: As stated at the HSGAC hearing in July, the goal of this transfer is not to reduce the number of FTEs performing these functions. The goal is to realign the workforce of the two agencies to best enable each agency to fulfill its core mission functions.

How did you develop the answer to the previous question?

A: Our transition and implementation planning process includes an in-depth look at support staff/functions and associated technology required so that GSA can be prepared to execute the transitioned functions and staff on Operations Day 1. We are looking at several alternatives that include moving support staff and technology to GSA, or entering into a short term arrangement with OPM to continue to provide support services and technology management until those functions could be staffed by and or transitioned to GSA. For example, there are currently 425 employees in OPM's HRS organization but this number does not include supporting staff such as contracting officers, attorneys, HR services, IT services, etc.

8) Your agencies have a great resource in your Senior Executives. These are your frontline career leaders who are critical to a smooth-functioning federal government.

What feedback have you received from these individuals on this plan?

A: See answer below.

What is the SES involvement in any planning for the merger that is going on at this time?

A: The following answer applies to both parts of Question 8. The GSA Heads of Services and Staff offices all either personally participate and/or have a representative on the GSA Task Force to plan and implement the transfer of the OPM human resources transactional services to GSA. Weekly Task Force meetings are held. Each Service and Staff Office representative is informing the transition planning from their functional area of responsibility.

In addition, the GSA leadership team is briefed on a weekly basis by the GSA Task Force Lead. The GSA Administrator has conducted a town hall with all employees, and has provided an update through email. GSA has an established email inbox to receive questions from employees and these questions are personally answered by GSA's Task Force lead.

9) An issue that arose at both recent HSGAC hearings on the agency reorganization proposal were questions about what parts of the reorganization that the Executive Branch presently has the legislative authority to execute.

What parts of this overall proposal to move OPM into GSA and move other parts of OPM to DOD and OMB does the Administration have the authority to execute on without legislation to Congress?

See answer below.

How did you determine that answer?

A: The following answer applies to both parts of Question 9. GSA has been focused on Phase I of the reorganization and ensuring a smooth transfer of Human Resources Solutions. We have

confirmed there is authority to execute the HRS portion without new legislation. However, as we consider future phases of the reorganization plan, we will reach out to your office to discuss any potential legislation that may be necessary.

10) In 2014, the Bureau of Indian Affairs (BIA) was stripped of its GSA delegated leasing authority for not following applicable policies and guidelines. While BIA has since regained some of its leasing authority, my understanding is that GSA's increased oversight and involvement in the leasing process can often be insensitive or inappropriate to the needs of Indian Country and has significantly slowed down the process overall to the detriment of Indian tribes.

What efforts has GSA taken to accommodate the unique challenges of leasing on Indian reservations? For example, GSA does not traditionally rent schools, jails, and other similar structures used to house and operate BIA programs.

A: In 2012, GSA suspended delegating leasing authority to the Department of the Interior – Bureau of Indian Affairs (BIA) pursuant to a BIA Office of Inspector General audit. In 2014, GSA resumed delegating its leasing authority to BIA, following BIA's implementation of a corrective action plan, thereby allowing BIA to acquire leased space in those areas GSA has no market presence. GSA's lease delegation process for BIA is the same as for all other agencies. GSA seeks to accommodate agency specific program needs while ensuring compliance with all applicable Federal leasing laws and regulations.

When GSA acquires leased space for BIA, GSA works with BIA to develop the lease requirements that will meet BIA's mission needs. GSA is interested to learn of any opportunities to improve how it provides services to the aforementioned communities, and would appreciate any help your office could provide in helping us identify areas where there are opportunities to improve. GSA will meet with BIA and discuss any concerns BIA may have with the GSA leasing process.

Has GSA held, or plans to hold, formal consultations with tribes to determine how GSA can better serve Indian Country and evaluate if there are inappropriate conditions applied to on-reservation lease agreements?

A: GSA has not worked directly with Native American tribes on leasing requirements. All of GSA's interactions have been with BIA. GSA would welcome working with BIA to coordinate and host discussions with tribal representatives on the terms and conditions that could be included in these leases.

Will you consider restoring BIA's ability to enter into Memorandums of Agreement to secure the use of certain facilities so they don't have to go through the more complicated GSA process, allowing them to address tribal needs faster?

A: There are standing categorical delegations of authority found at 41 CFR 102-73.155 that are applicable to certain types of space that BIA may need. When using GSA's delegated leasing authority, all agencies, including BIA, must adhere to the same lease policies that GSA follows when acquiring leased space. GSA continues to improve the efficiency of the lease process, and is prepared to discuss these improvements with the BIA.

Post-Hearing Questions for the Record
Submitted to Dr. Jeff T.H. Pon
Director, Office of Personnel Management
“The Challenges and Opportunities of the Proposed Government Reorganization
on OPM and GSA”
From Senator Heidi Heitkamp

Friday, August 10, 2018

1)

This hearing focused on just one piece of the larger reorganization proposal. But even this one piece is pretty large. We are talking about eliminating one agency and greatly expanding the responsibilities of another. This proposal will not only greatly impact all the employees who work at OPM and GSA, but also the entire 2.1 million-person civilian federal workforce, and all federal retirees.

- What problems at OPM does this proposal solve?
 - Response: Moving policy functions to the Executive Office of the President would afford an opportunity to elevate OPM’s policy and oversight functions with respect to the Federal workforce as well as its workforce management functions. There is broad acknowledgment that the statutory framework for the Federal employment system is outdated in many significant respects, and does not reflect the realities of the contemporary workforce. Most of OPM’s workforce and budget are currently dedicated to operational activities, and fewer resources are devoted to policy and oversight activities related to OPM’s core missions, including the hiring process, performance management, the development of rules and guidance concerning compensation, merit system compliance, and government-wide advisory functions relating to labor relations.
- How will implementing this proposal make our federal government more effective or efficient?
 - Response: This transition is seeking to create a more streamlined policy, oversight, and workforce management unit that is less expensive to operate. This proposal could also support centralized coordination of all personnel policies for Federal employees, including certain personnel policy functions currently performed by OMB, eliminating the confusing matrix of who does what. Centralizing human capital operational services might provide economies of scale and significant cost-avoidance based on reductions in contract and IT duplication. Also, several segments of the Federal workforce (such as VA medical professionals and Foreign Service officers) fall partially or wholly outside of OPM’s title 5 policymaking authorities. Moving personnel policy into EOP will allow for a more holistic governmentwide policy.
- What data can you provide this subcommittee to prove your point?

- o Response: OPM, GSA, and OMB are currently developing a qualitative business case as well as estimated budget impacts through the annual budget process.

2)

At the HSAGC hearing on July 18 where Margaret Weichert testified, we heard a lot of answers along the lines of – ‘We still need to figure this out’ or ‘We need to work through that.’ One of my takeaways from that hearing was that more study and development is needed on these proposals.

- In your minds, has enough analysis been done to determine that this is a good idea?

Response: Yes OPM has developed a strong vision to create a more efficient Federal government, and we must now undertake the efforts to develop detailed implementation plans.

- Has enough research been done to determine that this is feasible?

Response: OPM is currently engaged in strong interagency discussions to fully determine the best approach to implement this vision and best actions to avoid disruption of services to the extent possible.

- Will you commit to sharing with Congress all the analysis developed in the implementation of this proposal?

Response: OPM will provide the committee with relevant and appropriate documents related to the implementation of this proposal.

3)

OPM and GSA submitted reorganization proposals to OMB as part of this overall reorganization effort that was set in motion by the President’s Executive Order last year.

- What were the key recommendations in the proposals your agencies sent OMB that would have improved agency effectiveness and efficiency?

Response: OPM’s Agency Reform Plan focused on four areas:

- o Drive Government Efficiency – Leverage OPM’s human capital leadership role to drive Government-wide efficiency, cost savings, and/or improved coordination across the human capital space.
- o Reduce Burden on Agencies – Eliminate/reduce unnecessary or low-value reporting requirements and empower agencies through simplifying rules/systems and providing greater discretion and decision-making authority.
- o Improve Alignment of Existing OPM Program Functions – Improve coordination, efficiency, and/or customer-focused service delivery of OPM program functions by consolidating and realigning functions within OPM where duplication or inefficiency exists, or where synergies can be achieved.
- o Enhance OPM Mission Support Functions – Improve service, reduce costs, improve efficiency, and/or eliminate redundancy within the various mission-support/administrative functions that enable OPM program and mission delivery

- Did you have further conversations with OMB about those proposals?

Response: OPM met with OMB to discuss the proposals contained in the OPM Agency Reform Plan, and we continue our dialogue to create a more effective and efficient government on behalf of the American taxpayer.

- Did either of your agencies propose anything along the lines of the OPM-GSA merger that was included in the final administration proposal? Why or Why not?

Response: These ideas were often a result of outgrowth from iterative interagency discussions and were not developed in silos.

- To the best of your knowledge, who came up with the idea to break apart OPM and move it to different agencies?

Response: This vision is not about breaking up any agency. These ideas were often a result of outgrowth from iterative interagency discussions and were not developed in silos.

- Will you provide the plan that your agency submitted to OMB so that Congress can better understand the development of the final proposals?

Response: This proposal is internal and pre-decisional executive branch correspondence.

4)

When the President released his reorganization plan last month, it talked about some of the challenges that OPM has experienced in recent years such as data breaches, background investigations backlogs, and IT problems.

- Do you agree that the best way to improve and overcome those types of challenges is to dismantle OPM and move its functions to other agencies?

Response: The mission of OPM is not being dismantled. The goal is to better align how the mission is delivered in a more efficient and effective way on behalf of the American taxpayer.

- What shows us that moving these functions is going to improve their outcomes? Will DOD automatically be better than OPM at background investigations? Does GSA have better cybersecurity than OPM?

Response: We look forward to continuing the dialogue with Congress to show how we will be able to deliver on our mission in a more effective and efficient way.

5)

A merger of two agencies is not just a merger of people. It is also a merger of systems and data. We all know the federal government's less-than-perfect track record on Information Technology

(IT) issues. A merger such as this can't be successful unless an IT solution is found and developed. I know my staff has been told that there are "a lot of Shared platforms" but "a lot" is not everything.

- What can you share about your work to determine if the IT systems at these agencies can be merged?

Response: A robust and detailed analysis of the proposed merger of OPM and GSA IT leadership and business functionalities is still ongoing to determine where similarities and differences occur.

- For example, what changes need to be made to the GSA systems so we know that data from OPM on retirement and health care accounts can be accessed?

Response: The migration of Retirement Services and the Healthcare and Insurance components of OPM would be in "Phase Two" of the proposed merger and that analysis is still ongoing.

6)

This proposal eliminates the agency that is supposed to protect and nurture the federal workforce and merges its functions with a different agency. I know I have heard from several federal employee groups with great concerns about this proposal, and I imagine you are also aware of those concerns.

- What engagement have you had with your own employees and federal employee groups about this proposal and its impact?

Response: I personally met with every office in OPM to discuss the impacts of this proposal. I also took any questions from employees to address their concerns.

- What is your strategy to engage with those groups if you are able to move forward with these proposals?

Response: I will continue to update the OPM workforce on the proposal's impacts as we move forward with implementation.

- Can this proposal be successful without acceptance and understanding from federal employees?

Response: In my conversations with OPM employees, I have sought to ensure that the employees of OPM have a full understanding of the proposal's impact on OPM and its workforce. I will keep them updated as we move forward with implementation. I have faith that the career Federal civil service will faithfully implement this reorganization, as they do with all other laws and regulations.

- How are you going to deal with potential morale challenges that result from this merger?

Response: Employee morale is a critical aspect of mission success. That is why I continually emphasize this proposal is not a secret plan to fire employees, but rather an effort to streamline and improve government operations for employees, the entire civil service, and the American taxpayer. I would hope Members of Congress would join me in dispelling the false narrative this reorganization is an attack on the civil service, when it is in reality an effort to deliver a more efficient and effective government on behalf of the American taxpayer.

7)

A significant part of this proposal is presumably going to be moving personnel from OPM to the new GSA. I want to get your thoughts on how that would work for your average OPM employee.

- Is John Smith, an OPM employee, just going to leave OPM on a Friday and show up for work at GSA on Monday, or, when John Smith transfers from OPM to GSA, does his administrative footprint come with him, i.e. the OPM IT processes, OPM administration, OPM rules?

Response: Detailed processes for how the reorganization will be implemented are currently being finalized, but will seek to have the least impact on individuals as possible during a reorganization of this magnitude.

- Based on your initial analysis, what will be the impact of this merger on the total number of employees currently at OPM and GSA? Do you expect it to be less, the same, or more?

Response: We do not expect this merger to have any significant impact on the number of employees at OPM and GSA at this time.

- How did you develop the answer to the previous question?

Response: As we are simply moving an office from one agency to another, there should not be any significant impact on the number of employees.

8)

Your agencies have a great resource in your Senior Executives. These are your frontline career leaders who are critical to a smooth-functioning federal government.

- What feedback have you received from these individuals on this plan?

Response: Discussions with the OPM SES are ongoing regarding this reorganization, and they are supportive of a desire to create a more effective and efficient mission delivery.

- What is the SES involvement in any planning for the merger that is going on at this time?

Response: Leaders from OPM, both political and career, are engaged in interagency discussions to develop the detailed scope and plan around implementation of the reorganization.

9)

A key part of this proposal is moving the policy part of OPM into the Executive Office of the President, presumably OMB.

- Does such a move politicize the federal civil service, why or why not?

Response: The Director and Deputy Director of OPM are already Presidential appointees. As I stated during the hearing, it is beneficial to the Federal workforce and the country when the head of an organization understanding human resources has a seat at the table. It shows the importance being placed on personnel, and I view this as a positive step for the Federal government.

10)

An issue that arose at both recent HSGAC hearings on the agency reorganization proposal were questions about what parts of the reorganization that the Executive Branch presently has the legislative authority to execute.

- What parts of this overall proposal to move OPM into GSA and move other parts of OPM to DOD and OMB does the Administration have the authority to execute on without legislation to Congress?

Response: OPM is currently reviewing legal authorities to make this final determination.

- How did you determine that answer?

Response: Attorneys from the relevant agencies and OMB are engaged in interagency discussions to review current authorities.

11)

Last Congress, I cosponsored the Program Management Improvement and Accountability Act (PMIAA) with Senator Ernst. Among other things, the bill, which is now law, instructs OPM to create a formal job series and career path for program managers in the federal government. Recently, OMB released guidance on implementing the law, and it has asked that OPM provide its implementing recommendations for the job series and career path by Q4 of FY 2018.

- Are you committed to creating a formal job series and career path for program managers?

Response: Yes, I am. In accordance with the PMIAA, OPM has 180 days from the issuance of the OMB guidance on June 25, 2018 to complete regulations that identify key skills and competencies needed for a program and project manager in an agency; establish a new job series, or update and improve the existing job series, for program and project management within an agency; and establish a new career path for program and project managers. OPM will complete these requirements by Q1 of FY 2019. OPM is also required to identify key skills and competencies for program and project managers, and it will do so.

- Will the reorganization cause any delays in meeting your obligations under PMIAA as outlined in OMB's Guidance?

Response: OPM does not expect there to be any delays.

- What benefits do you think the federal government will achieve once the job series and career path are implemented Will this speed up the hiring process, improve retention, and ensure people get proper training and career development?

Response: OPM anticipates the occupational series and career path, once implemented, will improve agencies' talent acquisition and management activities, including talent development. The consistent use of the series and competencies should improve agencies' ability to speed hiring -however, both the timeframe for hiring and retention are impacted by other factors (e.g., employee engagement).

- Will you commit to following up with my staff to provide an update regarding your implementation efforts and what effect the reorganization effort might have on that implementation?

Response: Yes, I will.

12)

OMB's Guidance also said OPM may create or enhance a job series or a job identifier.

- Please explain the difference between a job series and a job identifier. What is the purpose of a job identifier, and what does OPM currently plan to do in this regard?

Response: A job (occupational) series is a subdivision of an occupational group/family that describes positions in a similar line of work and outlines the qualification requirements for the corresponding series. A job identifier is a code representing the type of work performed in a variety of occupational series/groups. The job identifier allows us to also better track work that is being performed across various occupational series.

- Will OPM establish the job identifier and the job series?

Response: OPM will consult with agencies and review the relevant information to determine the appropriateness of establishing a new job series, or updating and improving an existing job series and/or establishing a job identifier.

13)

OPM recently finalized a rule generally known as the Flexibilities Rule where the stated purpose was to correct asymmetries in the insurance market for Federal employees and annuitants. One of the issues related to the rule are the impact of Service Benefit Plans on FEHB plan costs.

- What is OPM doing to encourage non-SBP plans to stay in the FEHB and/or new carriers to participate?

Response: In the FEHB Program Call Letter, OPM encouraged FEHB carriers to consider a range of strategies to enhance the quality and affordability of their health benefits not only by making changes to existing plans but by proposing new plan options. We also discussed the new agency strategic objective of improving the quality of healthcare received by enrollees, increasing the affordability of plans, and enhancing the portfolio of available FEHB plans. Finally, OPM is exploring opportunities to expand plan choices, such as adding a new carrier for the Indemnity Benefit Plan.

- What other flexibilities, if any, does OPM consider to be important in reducing regulatory burden?

Response: OPM continually assesses ways in which the FEHB Program can innovate to meet the needs of Federal employees, annuitants and their families, while maintaining affordable and quality benefit options. OPM's FY 2018-2022 strategic plan includes Objective 1.4, to improve healthcare quality and affordability in the FEHB Program with 75 percent of the enrollees in quality, affordable plans. One strategy to reach that objective is to improve the portfolio of available FEHB plans to increase the proportion that are quality, affordable plans. OPM has determined that our current legislative authority under 5 USC 8903 is sufficient to promote innovation and competition in the FEHB Program.

- How does this rule ensure that negative impacts such as program destabilization, increased premiums, and fewer consumer choices will not occur?

Response: As detailed in the Expected Impact of Final Changes section of the final FEHB Program Flexibilities rule, we expect that the regulatory change will have a positive effect on market dynamics by potentially increasing competition among health care carriers. This expectation is based on the assumed impact of the introduction of additional options and on OPM's focus, as set forth in the agency's Strategic Plan, on increasing quality and affordability in the FEHB Program.

**Post-Hearing Questions for the Record
Submitted to the Honorable Jeff Pon
From Senator Claire McCaskill**

**“The Challenges and Opportunities of the Proposed Government Reorganization on OPM
and GSA”**

July 26, 2018

1. What analyses has the Office of Personnel Management (OPM) conducted to assess the impact of the reorganization plan, including retraining, on the federal workforce? Please provide those analyses. If OPM has not conducted those analyses, please explain how OPM will analyze workforce impacts.

Response: OPM is actively working with GSA and OMB to assess implementation strategies for the 2018 comprehensive reorganization plan that will maximize efficiencies and enhance service delivery and program execution.

2. How many public comments did OPM receive pursuant to the May 15, 2017, Federal Register notice?

Response: OPM received 2,738 public comments from the White House/OMB-administered website portal.

- a. Is OPM able to identify how many comments were submitted by individuals and how many were submitted on behalf of organizations? If so, please provide a breakdown of those submissions.

Response: It is not clear which comments were submitted by individuals or on behalf of organizations. The information forwarded to us consisted of spreadsheets of comments that included an “organization” column, but it is not clear whether the individuals who entered information in that section were acting on behalf of that organization or merely entering the organization where they work.

- b. Did OPM establish any policies regarding the intake of comments?

Response: The intake of comments on behalf of Federal agencies was managed via the portal at <https://www.whitehouse.gov/reorganizing-the-executive-branch>. OMB provided OPM with the public comments in cases where the commenter selected “OPM” as an agency for reform or elimination. These comments were reviewed and used in the development of the OPM agency reform plan.

- c. What process did OPM use to analyze these comments? What methods, in particular, were employed to identify and support the proposals that were included in the Administration's plan?

Response: In developing the Agency Reform Plan submission to OMB, a wide range of inputs were considered, including public comments collected, as well as inputs and feedback gathered from interviews and focus groups with more than 50 external stakeholders, which included customers of OPM, Federal agencies, executive councils, advisory groups, affinity groups, and industry thought leaders. Inputs were also collected from OPM employees via an all-employee survey questionnaire, as well as from OPM program owners/executives who reviewed the overall functions of OPM and the core mission/functions of each specific program office. Data from all these sources were reviewed by the OPM senior leadership team. These senior leaders worked through a process to reach consensus and select the most promising proposals to pursue.

- d. Did OPM retain the comments that it received pursuant to the Federal Register notice?

Response: Yes.

- e. Please provide copies of the comments that were received by OPM.

Response: The comments are being prepared for public release.

3. How did OPM solicit input and comments from its employees?

Response: The OPM Acting Director sent an online questionnaire via email to the entire OPM workforce to solicit unfiltered feedback and ideas.

- a. How was that input used?

Response: The majority of the responses from employees were related to process improvements relevant to the respondent's current local work or operational area. The ideas about the operational-level improvements were provided to the relevant program office heads for further consideration and pursuit outside the agency-wide reform plan process. The ideas that were relevant to the broader agency reform plan were considered by the OPM senior leadership where the OPM employee proposals were considered alongside proposals collected from various other sources.

- b. How many comments were received?

Response: Approximately 300 responses were received from OPM employees.

4. In your testimony, you stated that the President's reorganization proposal is "an opportunity to elevate the Federal workforce management functions" and that in order "to drive real reform, the government needs to elevate Federal workforce policy" by "moving OPM's policy function into EOP [Executive Office of the President]." Under current law, (5 USC § 1103(a)(7)) the Director of OPM is responsible for aiding and advising the President on federal personnel policy, and during the Clinton Administration, the Director was elevated to a cabinet-level status.

- a. Where in the organizational structure of the EOP will the Director and OPM policy functions be moved?

Response: This is part of the ongoing conversations with the Office of Management and Budget (OMB)."

- b. Who will the Director report to on a day-to-day basis?

Response: This is part of the ongoing conversations with the Office of Management and Budget (OMB)."

- c. Will the move of the policy functions into the EOP come with a cabinet-level status designation for the Director?

Response: This is part of the ongoing conversations with the Office of Management and Budget (OMB).

- d. How will the policy functions align or differ from the OMB Office of Performance and Personnel Management, which directs personnel policies and practices across the Federal government and reports to the Deputy Director for Management?

Response:

The Reorganization Plan would move the policy function of OPM to the EOP, along with its existing policy and statutory authorities, of which OPM is solely responsible for many including, for example, the Suitability Executive Agent and oversight of hiring authorities. Where OPM and PPM share statutory responsibilities, we will continue to work closely together to meet those shared responsibilities.

- e. Has OPM prepared any directives, or has OPM received any directives, to ensure that the OPM Director will retain its independence during the reforms?

Response: OPM has not prepared or received any directives, but the OPM Director will remain an independent voice for the civil service and merit systems principles during these reforms and will fulfill the oath he took upon confirmation.

5. Has OPM conducted a business case analysis for the transfer of Human Resources Solutions (HRS) to the General Services Administration (GSA)? If so please provide that analysis. If not, how does OPM support its contention that it is more effective and efficient to transfer HRS?

Response: OPM and GSA are collaborating on a qualitative business analysis and will share documentation as appropriate during our ongoing engagements with the Committee.

- a. How many federal workers will be affected by this transfer?

Response: HRS currently employs about 425 FTEs; however the final scope of which HRS components will be transferred has not been finalized.

- b. What is the cost of implementation associated with this proposal and what impact will the transfer of HRS have on OPM's budget and operations, including working capital fund contributions and support office functions?

Response: OPM will be utilizing the budget process, in coordination with OMB and GSA, to identify any potential costs.

- c. What is the estimated long-term cost savings achieved by this transfer?

Response: OPM will be finalizing this information as part of the annual budget process.

- d. Will OPM share the information its task force develops on this proposal prior to any implementation?

Response: We look forward to keeping the committee updated on our progress with this merger as appropriate.

- e. How will moving HRS to the General Services Administration (GSA) improve customer service and its ability to meet the mission of the office?

Response: As part of its discussions, GSA and OPM are strategizing how each organization's internal people management and customer service assets can enhance customer service. Meetings with HRS customers will be a key activity for the Interagency Task Force, including obtaining insights about customer expectations (e.g., customer service, product delivery/enhancement, cost savings, speed, etc.) concerning the transition of HRS into GSA. OPM and GSA also anticipate signing a Memorandum of Agreement so HRS maintains a close working relationship with OPM's HR policy organization. In many cases, HRS supports the operationalization of policies and major HR initiatives. OPM and

GSA see HRS maintaining this role within GSA after the transfer, as policy and operations, are, in many respects, closely intertwined.

- f. What are the outstanding recommendations from the Office of the Inspector General for HRS and how will this transfer address them?

Response: HRS has two outstanding open recommendations from the Office of the Inspector General. The first is OIG Audit 4A-HR-00-13-055 "Pricing Methodology" Recommendation 5, and the second is OIG Audit 4A-HR-00-15-015 "Audit of the Information Technology Security Controls of the U.S. Office of Personnel Management's GP Plateau Baseline 6 Learning Management System (LMS)," Recommendation 6. Through discussion with GSA's finance team, we have learned that GSA's financial systems do not have the OPM-Enhanced Projects Suite (EPS) capability to perform detailed project costing; therefore, the transfer of HRS into an environment without a system equivalent to OPM's EPS Suite would maintain the vulnerability. OIG Recommendation 6 will be completed and the updated POAM document submitted for closure on next week.

- g. Where did the idea to transfer HRS from OPM to the GSA originate from?

Response: The government reorganization is a collaborative and iterative interagency effort being coordinated through OMB. Ideas are often an outgrowth of conversations among the agencies, not ideas put forth from silos.

6. During your testimony, you stated that there is enough separation between your office and the Merit Systems Accountability Group to prevent political decisions from influencing the merit based principles at OPM.

- a. What direction have you provided to the task force to ensure that merit based principles will be upheld during the HRS transfer?

Response: I have consistently put forth direction to my agency that merit system principles must be adhered to while any personnel actions are being taken. Actions taken in regard to the government reorganization are no different.

- b. Please provide any documents or communications sent to those responsible for developing and executing the plans that provides guidance on ensuring that merit based principles will be upheld.

Response: The direction to uphold merit system principles is not derived from, or based on, any sole communication or document, it is an ongoing conversation that I have made clear is a priority to the employees of OPM as the Director of the agency.

7. During your testimony, you stated that the large part of this transfer can be done administratively, but that OPM is examining other authorities.

- a. Specifically, what statutory language or other executive authority is OPM looking to for executing the transfer of HRS to GSA?

Response: OPM is analyzing legal options in coordination with OMB and GSA. Also, we are still exploring what legal authorities may be needed in the future.

- b. What GSA authorities is OPM relying on to execute the transfer?

Response: Under existing law GSA controls three revolving funds that will allow it to replicate the reimbursable services model at HRS, and attorneys from both agencies continue to assess potential implementation plans against statutory authority in collaborative manner.

- c. Is there a timeline for when OPM will alert Congress to the legal analysis of the transfer and if legislation is needed?

Response: OPM looks forward to updating the committee on our progress with this merger as appropriate in an ongoing dialogue.

- 8. OPM and OMB have told congressional staff that phase II proposals will include the transfer of retirement and insurance benefits to GSA

- a. What is the strategy for this transfer?

Response: We are currently finalizing details for “stage1” of the overall vision and will be developing detailed strategies for the later stages at the appropriate time.

- b. Has OPM conducted a business case or other analyses regarding this transfer? If so please provide that analysis. If not, how does OPM support its contention that it is more effective and efficient to transfer these functions?

Response: We are currently finalizing details for “stage1” of the overall vision and will be developing detailed strategies for the later stages at the appropriate time. However, we believe great efficiencies can be gained by consolidating operational functions of OPM in an agency whose priority is servicing agencies. Part of the challenge in Phase II will be identifying what aspects of the work performed by Retirement Services and Healthcare & Insurance can be characterized as oriented to policy formulation, regulation, and oversight, and what aspects can be characterized as operational. Similarly, we will need to make decisions about how to treat activities that, in essence, constitute administrative adjudication functions.

- c. What stakeholders have been contacted or will be contacted?

Response: We have engaged a wide array of stakeholders for input on the government reorganization, including by receiving public comments, and look forward to opportunities to further engage stakeholders in stages that may directly affect them to develop a full view of any perceived or possible obstacles.

- d. When will OMB begin to share data on the cost of this transfer?

Response: Since this question is to OMB, OPM defers to OMB for this question.

- e. What authorities will be utilized when authorizing this transfer?

Response: OPM is still exploring what current legal authorities can be utilized for this transfer.

- f. What will happen to the regulatory and policy functions for retirement, healthcare, and other insurance programs?

Response: This is part of the ongoing conversations; however OPM does not expect significant interruption of services to our customers during the transfer.

9. How will you guarantee that your plan to move the Federal Employee Health Benefits Program (FEHBP) to GSA will not disrupt health coverage for the more than eight million federal government employees, retirees, and their dependents?

Response: The transition of the FEHB Program from OPM to GSA will be discussed in a later stage of the reorganization; however preventing significant disruption in service will remain a top priority.

- a. What steps are you proactively taking to account for the difference in expertise required to operate the FEHBP that GSA currently does not possess?

Response: As previously mentioned, the transition of the FEHB Program from OPM to GSA will be discussed in a later stage of the reorganization, and we will take steps to ensure components maintain the subject matter expertise necessary as part of the final, detailed plans.

- b. Earlier this year, OPM issued a final rule (8 FR 18399) affecting Service Benefit Plan carriers in an effort to “enhance the quality and affordability of FEHB insurance offerings” in response to concerns about competition. What analysis led OPM to believe that this regulatory change was necessary given that the only Service Benefit Plan participating in the FEHB covers approximately 65% of the market?

Response: OPM implemented the FEHB Program Flexibilities regulation to correct an asymmetry in rules of the market so that employees and retirees can have plan choices available to them that offer the same number of options wherever they reside. Under regulations issued in 2010, all FEHB health plans except the Service Benefit Plan (SBP) and the Indemnity Benefit Plan (IBP) were allowed to offer 3 options of any type, while the SBP and IBP were allowed to offer only 2 options and an HDHP. OPM has determined that there is no legal or practical reason to maintain this restriction. The FEHB Program Flexibilities regulation allows all FEHB Program health plans to operate under the same set of rules, to enable a fair competitive marketplace.

- c. Similarly, OPM noted in the final rule that it expects that this regulatory change will potentially increase competition between health plans and allow plans to “offer a greater variety of lower cost, higher quality options.” Please provide the analysis that demonstrates why OPM believes that the final rule will have this effect on competition, cost, and quality contrary to the public comments raising concerns about the rule decreasing competition and further consolidating market share.

Response: As detailed in the Expected Impact of Final Changes section of the final Federal Employees Health Benefits Program Flexibilities rule, OPM expects the regulatory change will have a positive effect on market dynamics by potentially increasing competition among health plans. This expectation is based on the assumed impact of the introduction of additional options and on OPM’s focus, as set forth in the agency’s Strategic Plan, on increasing quality and affordability in the FEHB Program. It is not based on predictive data analysis.

10. What are the strategy and timeline for transfer of OPM legacy IT systems? What analyses has OPM conducted to assess feasibility, cost, and modernization for these systems if they are transferred?

Response: OPM is currently working on a timeline to accomplish the migration of IT systems from OPM to GSA and the analysis is ongoing. Centralizing human resources operational functions, including IT, in a single agency would integrate the transactional and employee-centric, service-based functions currently performed by OPM with existing GSA operations, including Federal employee payroll and travel.

- a. In particular, please describe in detail how will GSA provide better IT support for vital programs such as retirement services and the FEHBP when compared to the current operations supported by OPM.

Response: Since this question relates to services GSA provides, OPM defers to GSA for this question.

- b. What is the greater value offered by the reorganization that will ensure no disruption and improve legacy systems beyond existing plans and strategies?

Response: With end-to-end services around the Federal employee lifecycle maintained in one place, considerable operational efficiencies should be attained. Currently, these services are stove-piped, forcing burdensome processes on managers and employees. It is worth noting that HR services are rated last among all mission support services by Federal managers.

11. After E.O. 13843, what policy, program, and oversight role will OPM continue to play in the hiring of administrative law judges at federal agencies?

Response: The EO places the position of administrative law judge (ALJ) in the excepted service and directs OPM to pursue any necessary revisions to its regulations swiftly. By the terms of the order, agencies may begin making Schedule E appointments to the position of ALJ immediately, without prior OPM approval. OPM will promulgate proposed regulations to address any provisions in the regulations that are inconsistent with the Executive Order or use language that is generally inapplicable to the excepted service (e.g., references to the concepts of “probation” or “suitability”). Whether ALJs are in the competitive service or the excepted service, OPM’s regulations continue to govern some aspects of ALJ employment, including those related to reassignments, intra-agency details, interagency loans, senior ALJs, and reductions in force. Like other excepted service appointments, ALJ appointments are generally subject to investigation, a determination of fitness, a determination of eligibility for logical and physical access to agency systems and facilities, and, where applicable, a determination of national security eligibility.

- a. What policies, such as qualification standards and veterans preference considerations, is OPM developing regarding the creation of “Schedule E” positions?

Response: Section 3(a) of the EO places the position of ALJ in the excepted service beginning July 10, 2018. It further states that appointments to the position of ALJ are not subject to any examination or rating requirement, including the procedures of 5 Code of Federal Regulation (CFR) 302, Employment in the Excepted Service, except that an agency must follow the principle of veterans’ preference as far as administratively feasible. Consistent with the requirement in Section 3(a)(ii) of the EO, the minimum qualification and licensure requirement for the position of ALJ is the possession of a professional license to practice law and being authorized to practice law under the laws of a State, the District of Columbia, the Commonwealth of Puerto Rico, or any territorial court established under the United States Constitution at the time of selection and any new appointment (other than of an incumbent ALJ to another ALJ position). For

purposes of this requirement, judicial status is acceptable in lieu of “active” status in States that prohibit sitting judges from maintaining “active” status to practice law, and being in “good standing” is also acceptable in lieu of “active” status in States where the licensing authority considers “good standing” as having a current license to practice law. An agency may prescribe additional qualification requirements as necessary. Any agency specific requirements must be provided to potential applicants.

12. What plans does OPM have for the CFC program under the reorganization and how will those plans improve the CFC program?

Response: Currently, OPM does not have any plans to change the CFC program as part of the reorganization proposal.

- a. What has the impact of the revamped Combined Federal Campaign (CFC) had on donations and number of charities participating?

Response: In 2016, Federal civilian, military and postal employees pledged \$167.1 million to the CFC. In 2017, Federal civilian, military, postal employees, and annuitants pledged \$101.4 million and 125,000 volunteer hours to the CFC. In 2017, there were about 8,200 charities that participated. In 2016, there were 19,000 charities that participated.

- b. Please provide figures on participation, contributions, fees, and administrative costs since the CFC Commission recommendations were released.

Response:

Year	Charities Participating	Contributions	Fees	Administrative Costs
2012		\$258,300,000		\$28,223,712
2013		\$209,700,000		\$26,875,069
2014		\$193,200,000		\$26,078,418
2015		\$177,800,000		\$24,507,577
2016	19,000	\$167,100,000		\$25,037,599
2017	8,232	\$101,400,000	\$9,265,130	\$26,037,363

Note: CFC-50 Commission Report released in June 2012. CFC regulations in effect January 2017.