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Mr. PUTNAM. A quorum being present this hearing of the Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census will come to order.

Good morning, everyone, and welcome to this important discussion of E-gov initiatives. I hope everyone had a safe and productive weekend, avoiding the impact of Hurricane Isabel. I never thought that I would say that I would have to go to Florida to flee a hurricane, but that's what I did over the weekend, and so hopefully you and your families and your homes were spared the damage from Isabel and from the rains last night.

We will get right to the hearing.

This hearing is a continuation of the aggressive oversight by the subcommittee seeking to keep Federal Government agencies and decisionmakers focused on meeting the goals of the E-government Act of 2002, which were: greater accessibility to government by citizens and businesses; improving government efficiency and productivity which enhanced customer service; facilitating coordination cross-agency; and realizing tangible cost savings to the taxpayers through the use of 21st century technology and best practices throughout the Federal Government.

Despite its distinction as the largest information technology purchaser in the world, the Federal Government has a tradition of buying and maintaining thousands of stovepiped systems that operate separately from other agencies and are not interoperable. Great strides have been made to improve productivity and results from IT investments. But for too long individual agencies have pursued
their own individual IT agendas that do not emanate from customer service or sound business processes. We recognize that simply getting a handle on what systems exist and agreeing to a unified plan to coordinate this disparate IT environment is a monumental task. But the task must be done and done soon.

In March, this subcommittee held its first hearing on E-government, reviewing the 24 Quicksilver initiatives and initial progress resulting from the E-gov Act of 2002. At that hearing we discovered several examples of progress being made as well as challenges that continue to be more people- and management-based than technological or financial based.

Today, the subcommittee will focus in much greater detail on 5 of the 24 major E-gov initiatives being implemented across the government consistent with the E-gov Act and the President’s management agenda. Specifically, we will be examining the progress being made by the Federal Government to implement those key initiatives intended to improve Federal employee recruitment, employee training, management of payroll, management of employee data and employee security clearance processes. For those inclined to speak the language of E-gov, that would be the following five entitled initiatives: E-clearance, E-training, Recruitment One-Stop, Enterprise HR integration, and E-payroll.

The E-government Act passed by Congress last year designates OMB as the lead organization for all Federal Government IT purchasing and planning, including implementation of government-wide E-gov initiatives. OMB was invited to participate and provide testimony at this hearing, and until yesterday morning that participation was confirmed and anticipated. Yesterday, however, the subcommittee was advised by OMB that there was a conflict in the availability of Mr. Clay Johnson and that he would be unable to participate in this oversight hearing.

While the subcommittee and I, as chairman, are very disappointed at this development, we are nonetheless very pleased to be joined by the distinguished director of the Office of Personnel Management and a number of her colleagues. The Office of Personnel Management has been designated by the Office of Management and Budget as the lead agency for the five personnel-related E-gov initiatives.

We are pleased to have as witnesses today the leadership and management associated with those initiatives to provide us with the detailed update on the progress and the challenges that we face in making these internal efficiency and effectiveness initiatives a success both for the Federal Government and for the American taxpayer.

As with all of our subcommittee hearings, we can be viewed live via Webcast by going to Reform.House.Gov and clicking on live committee broadcast.

[The prepared statement of Hon. Adam H. Putnam follows:]
OVERSIGHT HEARING
STATEMENT BY ADAM PUTNAM, CHAIRMAN


Tuesday, September 23, 2003
10:00 a.m.
Room 2154 Rayburn House Office Building

OPENING STATEMENT

Good morning and welcome to today’s hearing on achieving E-Government efficiencies at the Office of Personnel Management.

This hearing is a continuation of the aggressive oversight by this Subcommittee seeking to keep federal government agencies and decision-makers focused on meeting the key goals of the E-Government Act of 2002:

• greater accessibility to government by citizens and businesses;
• improving government efficiency and productivity; enhancing customer service;
• facilitating cross-agency coordination; and
• tangible cost savings to taxpayers through use of 21st century technology and proven “best practices” throughout the federal government.
Despite its distinction as the largest buyer of information technology in the world, the federal government has a tradition of purchasing and maintaining thousands of “stovepiped” systems that operate separately from other agencies and are not interoperable with other systems.

Great strides have been made to improve productivity and results from IT investments. However, for too long, individual agencies have pursued their own IT agendas that do not emanate from customer service or sound business processes. We recognize that simply getting a handle on what systems exist and agreeing to a unified plan to coordinate this disparate IT environment is a monumental task. But the job must be done... and done soon.

In March, this Subcommittee held its first hearing on E-Government, reviewing the 24 Quicksilver initiatives and initial progress resulting from the E-Government Act of 2002. At that hearing, we discovered several examples of progress being made as well as challenges that continue to be more people and management-based than technological or money-related.

Today, the Subcommittee will focus in much greater detail on five of the 24 major E-Government initiatives being implemented across the federal government consistent with the E-Government Act of 2002 and the President’s Management Agenda.

Specifically, the Subcommittee will be examining the progress being made by the federal government to implement those key initiatives intended to improve federal employee recruitment, employee training, management of payroll, management of employee data, and employee security clearance processes. These internal efficiencies are being implemented under the following five entitled initiatives:

- E-Clearance
- E-Training
- Recruitment One-Stop
- Enterprise HR Integration; and
- E-Payroll

The E-Government Act passed by Congress last year designates the Office of Management and Budget as the lead organization for all federal government IT purchasing and planning, including implementation of all government-wide E-Government initiatives. I regret that OMB is unable to testify today due to a scheduling difficulty.

Fortunately, the Office of Personnel Management has been designated by OMB as the “lead agency” for the five personnel-related initiatives. We are pleased to have as witnesses today the leadership and management associated with those initiatives to provide us with a detailed update on the progress and the challenges that we face in making these internal efficiency and effectiveness initiatives a success both internally as well as for the taxpayer.
Mr. PUTNAM. With that, as is the custom with this committee, I would ask that Ms. James please rise for the oath.

[Witness sworn.]

Mr. PUTNAM. Note for the record that Ms. James responded in the affirmative.

We again welcome you to the subcommittee, and let me just give a brief biography of our distinguished panelists.

On July 11, 2001, Kay Coles James was confirmed by the U.S. Senate to be Director of the U.S. Office of Personnel Management. In that role, Director James is the President’s principal advisor in matters of personnel administration for more than 1.8 million Federal employees.

Since arriving at OPM, Director James and her agency have taken on new responsibilities including HR integration at the Department of Homeland Defense, the human capital portion of the President’s management agenda, the creation of employee flexible spending accounts, new Federal long-term care insurance and, of course, the five E-government initiatives before United States today. In some circles Director James is most recognized and popular for making the ultimate decision last week that resulted in a 4-day weekend for D.C. area residents.

Director James, we appreciate your being with us this morning, and you’re recognized for your statement.

STATEMENT OF KAY COLES JAMES, DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

Ms. JAMES. Thank you very much, Mr. Chairman; and I appreciate the opportunity to be here with you.

I’m particularly excited about the opportunity to talk about something other than how the decision to close Federal Government was made last Wednesday. We have a battle cry at OPM. It’s called “beyond snow.” It has been changed now to say “beyond hurricanes” to communicate to the public that there is some very important work going on at OPM other than just those kinds of things. So I appreciate your oversight and appreciate the opportunity to be here this morning to talk about something beyond snow. So thank you for the opportunity to talk about E-gov.

I would ask at the outset that my full testimony be entered into the record, and I will do an abbreviated opening statement.

It’s great, as I said, to be here to report on our agencies’ E-government initiatives which will eventually yield $2.7 billion in tax savings over the life of the initiatives and produce unprecedented increases in efficiency and effectiveness of the management of the government’s human capital resources. I will be discussing today five of the E-government initiatives outlined in the President’s management agenda, President Bush’s strategy for making the Federal Government more focused on citizens and results.

The Office of Personnel Management, as you have stated, is the managing partner for five of the Presidential E-gov initiatives: Recruitment One-Stop, E-clearance, E-training, E-payroll and Enterprise Human Resource Integration.

The goal of the Recruitment One-Stop initiative is to improve the process of locating and applying for Federal jobs. When I originally testified and before the U.S. Senate in my confirmation hearings,
applying and the recruitment process was identified as one of the major areas that needed to be fixed; and Recruitment One-Stop certainly is a step in that direction.

As part of this initiative, our new USAJOBS Web site shakedown cruise, as we like to call it, was launched last month in a real-time trial run which allowed us to ask for and respond so customers’ requests and comments. The site now has a new look and a clean feel, bright and easy to navigate. A new full text job search function was introduced as well as a streamlined resume builder.

Since the launch there have been 4½ million unique visitors to the new site. That’s an increase of more than 400 percent from the month before the new site was launched.

We launched the site on August 4 and in the 7 weeks since then there have been over 101 million page views, more than 9 million visits and close to 8,000 unique visitors. There are approximately 15,000 new resumes created each week on the site. The numbers are staggering. Job seekers who put their resumes on our Web site are able to search for jobs automatically and receive notice of these postings on a daily basis. They’re able to sign up for automatic e-mail notification when the type of job they’re looking for opens up.

Since launch we have received more than 15,000 E-mail communications from job seekers, and the revamped Web site features a quicker job search engine.

E-clearance. The frustrations with delays in the national security application and update process since September 11 has been felt by the Department of Homeland Security, the administration and indeed the Congress. The OPM E-clearance initiative will improve and speed the processing of investigations for security clearances.

There are several components of our E-clearance improvement process, but probably the most visible will be the Electronic Questionnaire for Investigations Processing. This is an automated online version of the SF–86 paper-based security clearance application that has been welcomed by current Federal employees as well as new employees. People are very excited about that.

The vision for the E-training initiative is the creation of a premiere governmentwide environment that supports the career development of the Federal work force. I can tell you, Mr. Chairman, that being briefed on this is one thing, but actually seeing it in function and operating is truly exciting, and I believe that our Federal work force is going to be very, very excited about this as they become more aware about it.

Since the launch on July 23 the government on-line learning center has had 1 million unique visitors and has had over 50,000 courses completed by 86,000 registered users around the world. Incidentally, about 50 percent of those users are from the Department of Defense, so we actually have soldiers in Iraq and Afghanistan using our E-training programs to continue their education as they defend our freedom abroad.

On September 17, something I think this committee would be very interested in, we launched our E-training Module 3, which includes the IT work force development road map and allows Federal IT personnel to complete skill gap analysis, create individual development plans and access additional resources.
The Enterprise Human Resources Integration is a term that you can expect to hear a lot more about in years to come. Once developed, EHRI will be a comprehensive electronic personnel record-keeping and analysis system. We are very excited about it and the cost savings that will be realized as a result of it.

And speaking of money, we are also consolidating and streamlining the Federal payroll process through our E-payroll initiative. The E-payroll initiative consolidates some 22 separate Federal payroll systems to two systems which will simplify and standardize the Federal payroll. The E-payroll will save taxpayers about $1.1 billion over the next 10 years. Those are large numbers indeed.

Mr. Chairman, the President expects results. He expects that of his managers and he expects that of the programs that he oversees. E-gov is producing results, and they are producing results today. The results are tax dollars saved, government efficiency enhanced and the American citizen better served by their government. For those of us who started out as students of war in distant lands and could never have imagined a world where war could be brought right into our very cities, this is a time of vigilance and security. A government that embraces the technological advancements available today is a necessity; and with E-gov, we’re doing precisely that.

With that, Mr. Chairman, I am happy to answer any questions that you may have.

Mr. PUTNAM. Thank you very much, Director James.

(The prepared statement of Ms. James follows:)

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STATEMENT OF
THE HONORABLE KAY COLES JAMES, DIRECTOR
U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION
POLICY,
INTERGOVERNMENTAL RELATIONS, AND THE
CENSUS
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

on

ACHIEVING E-GOVERNMENT EFFICIENCIES AT THE
OFFICE OF PERSONNEL MANAGEMENT

SEPTEMBER 23, 2003
Thank you Mr. Chairman. I would like to request that my full testimony be entered into the record.

Good morning and thank you for this opportunity to report on our agency's e-Government initiatives which will eventually yield $2.7 billion dollars in tax savings over the life of the initiatives and produce unprecedented increases in efficiency and effectiveness of the management of the government's human capital resources.

I will be discussing today five of the e-Government initiatives outlined in the President's Management Agenda, President Bush's strategy for making the federal government more focused on citizens and results.

We are going to save a lot of money and make life a lot easier for the Federal workforce and the American people they serve.

These e-government programs provide a powerful way for Federal agencies to consolidate information into a single, trusted framework that will support government workers throughout their entire life cycle. From hire to retire.

The Office of Personnel Management is the Managing Partner for five Presidential e-Government initiatives:

- Recruitment One Stop
- e-Clearance
- e-Training
- e-Payroll, and
- Enterprise Human Resource Integration (EHRI).
The goal of the **Recruitment One-Stop initiative** is to improve the process of locating and applying for Federal jobs. We are delivering to both job seekers and Federal agency recruiters a wealth of exciting new features.

As part of this initiative, our new USAJOBS website shake-down-cruise was launched last month in a real-time trial-run which allowed us to ask-for and respond-to customers’ requests and comments. The site now has a new look and a feel that is clean, bright and easy-to-navigate. A new full-text job search function was introduced as well as a streamlined resume builder.

Since the launch there have been four and a half million unique visitors to the new site. That’s an increase of more than 400% from the month before the new site was launched.

We launched the site on August 4 – in the seven weeks since then, there have been over 101 million page views, more than 9 million visits and 7,928,814 unique visitors.

There are approximately 15,000 new resumes created each week on the site. Job seekers who put their resumes on our website are able to search for jobs automatically and receive notice of these postings on a daily basis. They are able to sign up for automatic e-mail notification when the type of job they are looking for opens up.

The automatic response allows government workers the freedom to concentrate on other tasks and saves the taxpayer money.

Since launch we have received more than 15,000 email communications from job seekers and we are responding on average in less than 24 hours.

In addition to the impressive numbers, recent OPM updates to USAJOBS include a revision that allows job seekers to search entire departments and agencies within the drop-down list, thus making it easier for job seekers to broaden or narrow their search requirements according to their interests.
In responding to feedback from our customers, we have made the site easier to navigate by introducing three new features:

- a relocated “Veterans” link,
- updated agency and department search instructions and
- a new “Frequently-Asked-Questions” section that is updated daily.

The revamped website features a quicker job-search engine, sorting capacities, and accessibility for disabled users. Other new features include storage for up to five online resumes, a personal career management home, an option to make resumes searchable by agency recruiters, and an opportunity to create and save application letters.

We revised the new website to reposition the interactive prompt for veterans and we are encouraging Veteran Service Organizations to provide even more feedback to make the site user-friendly for America’s veterans.

It is imperative that we make this information available to our veterans. These men and women are some of the most qualified candidates in terms of skills, talents and their commitment to our nation. They have sacrificed to secure the freedom of this great nation. As our President continues to make veterans’ preference a top priority, we will do everything we can ensure their tireless sense of service is rewarded.

In a future round of enhancements, we expect that the USAJOBS website will be fully integrated with automated candidate assessment systems running across the Federal Government.

With integration, job seekers will have access to completely redesigned and improved job postings. We are providing what is called a “create once, submit many” application process, and real-time updates regarding the status of applications filed.
Our Recruitment One-Stop initiative is projected to save the taxpayer $365 million over the next ten years.

**e-Clearance**

The frustrations with delays in the national security application and update process since 9/11 has been felt by the Department of Homeland Security, the Administration and in Congress.

**The OPM e-Clearance** initiative will improve and speed the processing of investigations for security clearances.

There are several components to our E-Clearance improvement process. The most visible will be the Electronic Questionnaire for Investigations Processing -- e-QIP. This is an automated online version of the SF-86 paper-based security clearance application.

With e-QIP, the application, delivery, and processing of this clearance application will change from a paper-based to an electronic environment. This electronic form became available for use on a government-wide basis in July 2003.

e-QIP is also accessible remotely -- the security clearance applicant can fill out the form from other computers where appropriate. You don't always have that telephone number from seven years ago in your desk drawer at work.

An important feature of the e-Clearance initiative is development and implementation of a cross-agency Clearance Verification System -- CVS. The CVS initiative captures the concept of providing access for all agency authorized users to the personnel security investigation and clearance records of the government.

e-Clearance will also allow agencies to image investigative records held by the myriad investigative agencies and make them available, among all authorized federal users, electronically. By doing so, e-Clearance will facilitate the exchange of previous investigative results thereby maximizing cost avoidance by eliminating redundancy.
With the recent connection of the Department of Defense and OPM clearance databases, more than 98% of all government security clearances are now available for searching in one virtual database.

e-Clearance will begin recouping investment costs in its third year of existence and it is estimated that e-Clearance will save over $258 million in its first ten years.

The vision of the e-Training Initiative is the creation of a premier Government-wide environment that supports the career development of the Federal workforce. It focuses on unifying, simplifying, and increasing access to high quality e-Training products and services.

Federal agency leaders can use e-training to sustain a learning environment that drives continuous improvement in individual and Agency performance. By providing agencies with on-demand e-learning services, the e-Training initiative will enhance the ability of the Federal Government to attract, retain, manage, and continuously educate the highly skilled professionals needed for a flexible and high performing government workforce.

Managers can not link competencies and reward excellence without providing their employees with the tools for professional growth. Our online e-training program provides those tools.

Since the launch on July 23, 2002, the Gov Online Learning Center has had:

- 1 million unique visits, and has had
- over 50,000 courses completed by 86,000 registered users around the world.

You want to talk about “build it and they will come” – this is it!
Mr. Chairman, over 50% of the e-training participants are at the Department of Defense. There are soldiers in Iraq and Afghanistan today using our e-training programs to continue their education as they defend freedom on the other side of the world.

On September 17th, we launched e-Training’s Module 3 which includes the IT Workforce Development Roadmap that allows Federal IT personnel to complete skill gap analysis, create individual development plans, and access additional resources.

This will provide OPM the ability to identify IT mission critical skill gaps across Government and work with agencies to develop strategies to address them.

The third module also implements enhanced standardized report mechanisms, which facilitate agencies’ management of e-learning data. e-Training is projected to save the taxpayer $784 million over the course of the next ten years.

Mr. Chairman, the future management of Federal human capital is an opportunity I embrace wholeheartedly. It is not a crisis – it is a big job. We can succeed at anything for which we have unlimited enthusiasm – which is my view of our current transformation of the human resource functions of the Federal workforce.

**Enterprise Human Resources Integration** is a term you can expect to hear a lot more of in the years ahead. EHRI will be a system that supports human resources management across the Federal government at all levels from the employee to senior management.

Once developed, the result will be a comprehensive electronic personnel record-keeping and analysis system covering the entire life cycle of Federal employees from hire to retirement. EHRI, which includes a data warehouse, will replace the current personnel folder with an electronic record for all 1.8 million Executive Branch employees.

We’ve been to the moon. We should be able to eliminate those mountains of folders. And we are. Today.
Employees will be able to view their Official personnel Record on line, at home or at work to get information or verify its accuracy. Records will be more accurate and transfer faster as employees transfer from one agency to another.

EHRI will enable managers to forecast employee movements -- such as promotions and retirements -- and ensure qualified personnel are in place. It will take minutes, not days, for agencies to examine the official electronic records of employees transferring into their organizations.

EHRI will help provide critical monitoring for increased transparency into HR practices. We can view trends for better insight into what is really happening in our Federal workforce. We can more effectively forecast outcomes and the potential impact of our human resource management actions, based upon the past, present information, and future planned activities.

EHRI is estimated to save the taxpayer $235 million over the next ten years. We save taxpayers' money, your money, and my money, while enhancing the capability of strategic management of human capital.

Speaking of money, we are consolidating and streamlining the federal payroll process through e-payroll. The e-Payroll Initiative consolidates 22 separate Federal payroll systems to two systems which will simplify and standardize Federal payroll. E-Payroll will save taxpayers $1.1 billion over the next 10 years.

Mr. Chairman, President Bush has requested results. e-gov is producing results today. Results in tax dollars saved, government efficiency enhanced and the American citizen better served by their government.

We are quickly moving toward a true "e-government." Science fiction writers once imagined a world where information and services moved at the speed of light -- the Office of Personnel Management is creating it.
For those of us who started as students of wars in distant lands and could never have imagined a world where the war could be brought to our country, this is a time of new vigilance and security.

A government that embraces technological advancement available today is a necessity. With e-gov, we are doing precisely that.

Thank You. I would be happy to answer any questions.
Mr. PUTNAM. We have a lot of ground to cover today. We have five key initiatives that we discussed earlier, and I don’t want to dwell on any one of them, but I do want you to comment, if you would, on the status of the Recruitment One-Stop procurement and any action that you may have taken to ensure fairness and openness and a deliberate process for the future.

Ms. JAMES. OPM is tasked with, as I said, five E-government initiatives. These are very huge processes. Underlying all of them is the desire to provide efficient services to the American people to make their government more accessible and to also provide efficiencies for our current work force. In doing that, it is absolutely imperative that the process that we have in place to get us where we need to be be processes that are trusted and are respected.

We did several things within OPM to make sure that those processes are protected. I think the two most important are building the internal capacity by bringing on subject matter experts in procurement so that they can give us the best advice possible and to handle these procurement processes with professionalism and with expertise and with fairness.

Also, I want to make sure that our processes are, in fact, as we hope they are, to be balanced and fair and open; and so, as a result of that, I asked for an independent audit by our Inspector General to look at them and make sure that those processes are handled that way and relying heavily upon his advice and expertise in doing that. So I think those two things will assure that.

The other thing that I think is important is ensuring that we are getting the best use of our procurement dollars. We want to make sure that all of our contractors are benchmarked and are in fact results oriented in producing what they say they can and in a timely matter. So there’s a great deal of oversight that’s involved.

Mr. PUTNAM. Thank you very much.

On the payroll issue, the savings that you project that would be realized, are they civilian only or is that across the entire Federal Government?

Ms. JAMES. I think they’re civilian only. I’m not sure.

They are. The experts are on this row. I will turn to them frequently and look for the nod of the head.

Mr. PUTNAM. So the payroll issue and the recruitment issue are civilian issues only, is that correct?

Ms. JAMES. That’s correct.

Mr. PUTNAM. OK. What types of discussions are taking place with the DOD to try to bring them along to try to consolidate their payroll systems as well?

Ms. JAMES. DOD is special. We have continuing ongoing dialog with the Department of Defense, and I know that they are as committed as we are at OPM to implementing the President’s agenda. Some portions of DOD are a little slower to come along than others, but I’m sure we’ll get where we need to be. We have a constant dialog. We are constantly involved in communications. We are constantly involved in collaboration, and I am confident that eventually we’ll get to where we need to be.

Mr. PUTNAM. Is the Enterprise HRI included in DOD also or is that civilian only also?
Ms. JAMES. That is civilian also. We don’t do—are we going to do any military on the HRI?

Civilian, yes. But military—I think that later we will have the subject matter experts in a panel who can ask—answer some of the specifics that you may have about some of the programs.

Mr. PUTNAM. Will the payroll system be linked with OMB’s financial management system so that they have a better track of cash-flow?

Ms. JAMES. You know, it is—yes, it will be. There will be a wealth of data that we are able to collect with our new systems, EHRI as well as payroll and others; and at OMB they will be able to access those data bases and do much better analysis. They will be able to do much better projections as a result of that.

Mr. PUTNAM. On the E-clearance side, how successful do you project that it will be in reducing the backlog in time and in dollars in moving those processes along but maintaining their integrity?

Ms. JAMES. You know, I think prior to September 11 we at OPM did not fully comprehend sufficiently our mission; and as a result of September 11 we really have changed our mission statement to respond to the new realities. We didn’t view ourselves as a national security agency, but in many senses we are with the responsibility that we have for E-clearances when—in fact, you know, when you look at the DOD piece and the OPM piece and the fact that they’re now in communication about doing a joint effort that looks at about 98 percent of the E-clearances or the clearances that are done in government. When I talk to individuals outside of government, they find it absolutely incredible.

One of the reasons we can’t generate the excitement about the E-government initiatives that we have is because most people assume that we do them already. This is certainly one area in E-clearance where moving and taking advantage of the technology that exists in our world today will move us quantum leaps in terms of speed, in terms of efficiencies, in terms of eliminating redundancies so that I expect that as we go more on-line and as we, you know, we improve our process that you will see quantum leaps ahead in terms of our speed, accuracy and efficiency.

Mr. PUTNAM. Do you still believe that the savings targets that you gave in your testimony are on target?

Ms. JAMES. I do. I do. And you know some people find the numbers absolutely staggering and don’t believe they pass the straight face test. But all it takes is an understanding of how our government operates to understand how we could be in this situation.

You have agencies that each have their own systems, their own legacy systems. You have redundancies that are out there; and, as a result of that, most of the efficiencies will be achieved by economies of scale and as we eliminate redundancies. It requires a great deal of commitment and leadership to get us where we need to be because everybody has their own, and everybody wants to keep it. And, quite frankly, that does not serve the citizen well and it does not serve the employee well, when we could be moving toward combining these systems, realizing the efficiencies and providing better services at the same time.

But I have to tell you that’s a tough one. People are very, very territorial. But I think we’ll get there, and I think we’ll get there
because leadership comes from the top. The President has given his direction. The President’s Management Council is committed to this, and we are working in a collaborative way, so I think you will see those kinds of savings.

Mr. Putnam. It would be nice if OMB were here to hear your discussions about the cultural challenges and the turf battle, because, hopefully, they can carry a stick big enough to alter some of those attitudes. But do you have an estimate on what it will cost us to save that much money?

Ms. James. I don’t have a combined total for all of the E-gov initiatives. Maybe our technical matters experts do, and they can give that to you a little later.

Mr. Putnam. OK. On the issue of turf and the cooperation, you said it better than anyone about the need for the cooperation and coordination amongst the agencies and the need to give up some. Do you sense that there’s a climate out there of buying in to the management agenda or what level of resistance do you still face?

Ms. James. I’ll tell you, there was a great deal of resistance initially, and then I think they realized in several communities—and maybe I’ll talk a little bit about each of those—that the President was quite serious and that this is what he expected from his team. When we’re looking at fundamentally changing how we do government and getting results for the American people, we must move in this direction. It does not pass the straight face test that our government is still operating in outdated, antiquated, outmoded, redundant systems.

But change does not come easily or quickly. As I said, there are those territorial issues where people feel comfortable. A lot of times people feel more comfortable with something that’s broken and doesn’t work, just because it’s theirs, and so change is very difficult.

In talking about this sometimes I use the analogy that if you can think about a family getting a new computer at Christmas, there are those who gravitate toward the new technology easily and quickly. There’s always a couple of family members that think the old one works better and I want to keep it even though it’s antiquated, outdated and outmoded. But with leadership and training and communication you can eventually change that culture.

You also have an entire vendor community out there that, in fact, you know, is wed to the old system because they see that as more opportunity for them. I am trying to encourage them to look at the new vision for E-gov. There are many opportunities out there for them, but in the changing environment they must change their business plans. There are lots of opportunities, and we invite them to be our partners.

Mr. Putnam. Very good. Do you see the human capital effort and the E-gov efforts on the personnel side as being complementary initiatives?

Ms. James. You know, I do. That’s a very good and very perceptive question for the reason that, you know, when you look at the President’s management agenda, all of those initiatives sort of are like a glove and they fit together very well.

One of the ways I like to talk about our E-gov initiatives is to look at it from the time someone is hired into the Federal Govern-
ment until someone retires. When you look at the whole range of challenges that are before us on human capital right now, the E-gov initiatives fit very nicely with helping us to achieve our human capital goals.

There’s got to be a better way to hire people into the Federal Government. Our systems are broken, and Recruitment One-Stop will help us fix that.

There’s got to be a better way to get people cleared and into our government more quickly, when people are waiting months and in some cases years for a clearance; and you will see that our initiatives there will help that.

When people are moving in between jobs in the Federal Government, it is—it does not pass the straight face test that there were still paper folders that had to follow our employees around; and so, of course, our HRM project will help that.

When we are trying to do forecasting and succession planning, when we are looking ahead to see where the skill gaps are, you can see that having efficient E-gov projects that work to help us achieve those goals are absolutely essential. So our E-gov projects and E-gov initiatives actually fit quite well, like a hand in glove, with helping us to achieve our human capital strategies. As I said, sometimes it’s a little difficult to get excited about what we’re doing, because a lot of people assumed that we were there already and we are in fact not.

Mr. PUTNAM. Can you use this E-gov initiative to identify and locate the types of skill sets that the government is lacking just by virtue of the medium that you’re using to attract them?

Ms. JAMES. Absolutely. I think that’s going to be very helpful to agencies as they are going about trying to fill very particular job openings and job categories. And with the—and, you know, I think that later today you will have the opportunity to hear from Norman, from some of the other folks who are working on this specifically. But when you see some of the tools that are on that Web site now, that helps both the applicant and helps the agency to identify talent.

One of the things that’s most exciting for us is that a job applicant coming to the Federal Government used to have to fill out not one resume but they would have to do multiple resumes and applications in order to apply for Federal jobs. Now they can do one and that will suffice for many different opportunities. So we’ll see many efficiencies as a result of that.

Mr. PUTNAM. Very good. What have we not discussed that you would really like to elaborate on for the subcommittee?

Ms. JAMES. Well, I think, Mr. Chairman, that you—there’s a lot to be talked about, but, quite frankly, that is at the—you know, the more technical level in terms of what each of these initiatives do, so I think you have a very exciting panel in front of you for this afternoon. I would just say yet again that you cannot overemphasize the importance of this particular initiative for bringing value to the taxpayer as well as bringing efficiency to those individuals that want to come to work for the Federal Government and for those employees that are already there.

You will hear from GAO in a few minutes; and, quite frankly, you know, we owe a debt of thanks to David Walker and to GAO
for raising human capital as a high-risk factor. People who understand the current status of the Federal work force understand that for us to recruit and retain the work force that this country desires we must move our systems into, you know, the—where technology is today into the 21st century. Quite frankly, it does not pass the straight face test that this has not been done already.

So there are a lot of exciting things that are going on, and I would encourage any members of your staff or other committee members if they would like to see hands-on demonstrations of these particular initiatives it would really enrich, I think, the dialog that’s going on right now.

I would also like to thank you, Mr. Chairman, for holding this hearing, because, quite frankly, it’s difficult for us to get the word out about the initiatives and about the new tools that are available. We try in every way we know how in terms of press conferences and releases and going to conferences, but one of the best ways to get a message out is when you call us up here and have us testify.

Mr. PUTNAM. Well, thank you very much, Director James. We certainly appreciate your enthusiasm and your leadership on this issue, and we look forward to hearing the testimony of the second panel.

So, with that, the committee will stand in recess and dismiss the first panel and arrange the second.

Ms. JAMES. Thank you, Mr. Chairman.

[Recess.]

Mr. PUTNAM. The subcommittee will reconvene. I would like to welcome all of our witnesses on the second panel.

We will be handling our second panel a little bit differently than normal. Following comments, the formal testimony from GAO and additional remarks from the Office of Personnel Management, we have asked the program managers from each of the five initiatives that we’re discussing today to join us for the question and answer period. So we have seated all seven of those participating in our second panel at the table to eliminate the disruption when we go to questions of the second panel.

We want to welcome all of you here. As is always the case, we will place your entire statements in the record; and we ask that for those of you who are testifying to limit your remarks to 5 minutes.

We may have to share some of the microphones. We’ll be very flexible about that. Take your time.

With that, I would ask all of you, even those who are only answering questions and not giving formal testimony, to please rise and accept the customary oath. Please rise and raise your right hands.

[Witnesses sworn.]

Mr. PUTNAM. Note for the record that half the room responded in the affirmative.

I’d like to introduce our first witness for the second panel, Linda Koontz. Linda Koontz is Director for Information Management Issues at the U.S. General Accounting Office. Ms. Koontz is responsible for issues concerning the collection, use and dissemination of government information in an era of rapidly changing technology. Recently, she has been heavily involved in directing studies con-
cerning E-government, privacy, electronic records management and government-wide information dissemination issues.

Welcome to the subcommittee. You're a frequent flyer here at the subcommittee. We're always delighted to have you, and you're recognized for your opening statement.

STATEMENTS OF LINDA D. KOONTZ, DIRECTOR, INFORMATION MANAGEMENT, U.S. GENERAL ACCOUNTING OFFICE; NORRMAN ENGER, E-GOVERNMENT PROJECT DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT; PLUS ADDITIONAL WITNESSES FOR QUESTIONS SEGMENT: RHONDA K. DIAZ, PROGRAM MANAGER, ENTERPRISE HR INTEGRATION; JANET M. DUBBERT, PROGRAM MANAGER, E-PAYROLL; MIKE A. FITZGERALD, PROGRAM MANAGER, E-TRAINING; CLAIRE M. GIBBONS, PROGRAM MANAGER, RECRUITMENT ONE-STOP; AND MARK WHITE, ACTING PROGRAM MANAGER, E-CLEARANCE

Ms. Koontz. Thank you, Mr. Chairman. I appreciate the opportunity to participate in the subcommittee hearing on OPM's E-government initiatives.

As you know, these initiatives are intended to serve as a complete set of electronic support tools for the Federal Government's human capital functions including recruitment, security clearances, personnel records, training and payroll.

OPM's vision is for these initiatives to streamline and improve the process for moving employees through the entire life cycle of their employment with the Federal Government. OPM has made progress in making this vision a reality. For example, it has implemented enhancements to its USAJOBS Web site under Recruitment One-Stop, automated the form supporting the clearance process under E-clearance and established the Gov On-line Learning Center under E-training. However, OPM faces a number of challenges as it continues to implement these initiatives.

First, program managers for many of the OMB-sponsored initiatives have been under pressure both from OMB and within agencies to achieve results quickly. In order to meet the demand for quick results, significant alterations have been made to the acquisition plans for several initiatives. For example, in OPM's recent decision to continue with its awarded contract for Recruitment One-Stop despite a successful bid protest by Simplicity Corp., agency officials perceived the need to implement an E-government initiative as quickly as possible to be one factor outweighing the concerns raised by GAO. While it is clearly important to adhere to agreed-upon schedules and milestones, it is also important to follow established contracting procedures which are intended to ensure fair competition and result in the best technical solutions.

Second, each of OPM's five initiatives aims to ultimately create a single system or Web-based service to support a specific human capital function. In each case, agency-unique systems and processes must either be replaced or integrated into the planned single system. Consequently, managing the migration from agency-specific systems to consolidated systems will be a challenge. It will be crucial for agencies to implement effective change management and communication strategies and reach agreement on key standards.
Third, OPM will be challenged in estimating and measuring the $2.6 billion in cost savings that OPM believes will be derived from these initiatives. For example, for the Recruitment One-Stop, project officials estimate that implementation will reduce the average cost of hiring a new Federal employee in fiscal year 2005 by $112, or about 4 percent. With about 150,000 new hires each year, the total savings to 2012 would amount to about $168 million, significantly less than the total cost savings of $365 million that OPM estimates.

According to OPM officials, the additional savings would be gained through other factors contributing to future efficiencies. However, these other factors have not yet been fully defined, and performance measures to capture these savings have not been established.

Mr. Chairman, OPM has made progress in moving forward in implementing its five E-government initiatives which, if fully implemented, could have significant benefits by providing more streamlined and seamless Federal personnel processes and by saving taxpayers millions through eliminating redundant payroll and other systems. However, OPM continues to face challenges in implementing these initiatives. Unless these challenges are successfully addressed, OPM risks not fully realizing the potential of its comprehensive effort to improve human capital functions across government.

That concludes my statement. I’d be happy to answer questions at the appropriate time.

Mr. Putnam. Thank you very much.

[The prepared statement of Ms. Koontz follows:]
ELECTRONIC GOVERNMENT

Progress and Challenges in Implementing the Office of Personnel Management's Initiatives

Statement of Linda D. Koontz
Director, Information Management Issues
ELECTRONIC GOVERNMENT

Progress and Challenges in Implementing the Office of Personnel Management's Initiatives

What GAO Found

OPM's five e-government initiatives (summarized in the table) are an ambitious attempt to transform the way human capital functions and services are carried out in the federal government. OPM faces several challenges that, if not fully met, could prevent it from meeting its objectives and realizing projected improvements and dollar savings.

For instance, in order to meet a perceived need for quick results, alterations have been made to the acquisition plans for several of the 25 OMB-sponsored e-government initiatives, including OPM's Recruitment One-Stop initiative. In OPM's recent decision to continue with its awarded contract for Recruitment One-Stop, despite a successful bid protest by Symplicity Corporation, agency officials perceived the need for quick results to be of one factor outweighing the importance of issues raised by GAO concerning the conduct of the procurement. However, by taking this course, OPM risks alienating potential supporters of its initiative.

Further, managing the migration from agency-specific systems to consolidated systems will be a challenge, because agencies may be required to take positive action to shut down existing systems and invest in additional or updated technology to use the new, consolidated systems resulting from OPM's five initiatives. Consequently, it will be crucial for OPM to implement effective change management and communication policies. In addition, technical integration across agencies to support consolidation, including the development of standards, is a formidable task.

Finally, OPM also faces a significant challenge in realistically estimating the cost savings to be derived from these initiatives. In many cases, estimates of cost savings are only loosely based on measures that are difficult to quantify, such as the average cost of performing a certain function across the government. To be truly effective in meeting its goals, OPM needs to establish complete, meaningful, and quantitative measures of cost savings.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment One-Stop</td>
<td>Provide a one-stop Web site for federal job seekers through a single application point that provides a range of information and tools, including vacancy information, application submission, status tracking, and other tools.</td>
</tr>
<tr>
<td>e-Clearance</td>
<td>Improve the efficiency and speed by which federal government clearances are processed to maximize the number of cleared positions, providing the best results, and maintaining confidentiality standards.</td>
</tr>
<tr>
<td>Enterprise Human Resources Integration</td>
<td>Provide a state repository of standardized core human resources data to replace the paper Official Personnel File, with an Electronic Personnel File containing the electronic exchange of information between agencies during an employee's government career.</td>
</tr>
<tr>
<td>e-Filling</td>
<td>Improve federal payroll and personnel operations by consolidating 25 existing federal payroll system processors, streamlining and standardizing processes and procedures, and better integrating federal payroll, human resources, and finance functions.</td>
</tr>
</tbody>
</table>

Source: GAO analysis of OPM and OMB documents.
Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to participate in the Subcommittee's hearing on the progress of, and challenges to, implementing the electronic government (e-government) initiatives that are being led by the Office of Personnel Management (OPM). Generally speaking, e-government refers to the use of information technology (IT), including Web-based Internet applications, to enhance the access to and delivery of government information and service to citizens, business partners, and employees, and to improve the internal efficiency and effectiveness of the federal government. A variety of actions have been taken in recent years to enhance the government's ability to realize the potential of e-government, culminating in the enactment of the E-Government Act of 2002, which includes provisions to promote the use of the Internet to provide government services electronically, strengthen agency information security, and manage the federal government's growing IT human capital needs.

The President has embraced e-government as one of five priorities in his management agenda for making the federal government more focused on citizens and results. Under the leadership of the Office of Management and Budget (OMB), a set of high-profile initiatives was identified to lead the drive toward e-government transformation. These initiatives—now numbering 25—have ambitious goals, including eliminating redundant, nonintegrated business operations and systems and improving service to citizens by an order of magnitude. Achieving these results, according to OMB, could produce billions of dollars in savings from improved operational efficiency. However, to realize such savings, it will be critically important that these initiatives are well managed as the government undertakes the challenging task of turning good ideas into real-world results.

OPM, the President's agent and advisor for human capital matters, is charged with overseeing the management of the federal government's most important asset—its people. OPM is in the process of transformation—from less of a rulemaker, enforcer, and independent agent to more of a consultant, toolmaker, and strategic partner in leading and supporting executive agencies' human capital.

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1 P.L. No. 107-30."
management systems. As part of that transformation, OPM has taken on the role of managing partner for 5 of the 25 OMB-sponsored e-government initiatives. As requested, I will provide an overview of OPM’s initiatives and identify the challenges facing OPM as it moves forward in implementing these initiatives. I have also included an attachment that lists other pertinent GAO publications on e-government issues.1

Background

Expansion of e-government was one of five top priorities in the President’s fiscal year 2002 management agenda for improving government performance.2 To support that priority, a task force, led by OMB, was established in 2001 and charged with identifying electronic government projects that could deliver significant productivity and performance gains across government. The task force analyzed the federal bureaucracy and identified areas of significant overlap and redundancy in how federal agencies provided services to the public. The task force found that multiple agencies were conducting redundant operations within 30 major functions and business lines in the executive branch. To address these redundancies, the task force evaluated potential projects, focusing on collaborative opportunities to integrate IT operations and simplify processes within lines of business across agencies and around citizen needs. As a result of this assessment, the task force identified a set of high-profile e-government initiatives for accelerated near-term implementation. These are now the 25 OMB-sponsored initiatives.3

The President’s management agenda outlined the following results expected as a result of e-government:

- provide high-quality customer services regardless of whether the citizen contacts the agency by phone, in person, or on the Web;
- reduce the expense and difficulty of doing business with the government;

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1 These publications can be obtained through GAO’s World Wide Web page at www.gao.gov.
• cut government operating costs;
• provide citizens with easier access to government services;
• increase access for persons with disabilities to agency Web sites and
e-government applications; and
• make government more transparent and accountable.

OMB also established a portfolio management structure to help
oversee and guide the initiatives and facilitate a collaborative
working environment for each of them. This structure includes five
portfolios: "government to citizen," "government to business,"
"government to government," "internal efficiency and effectiveness,"
and "cross-cutting." Each of the 25 initiatives is assigned to one of
these portfolios, according to the type of results the initiative is
intended to provide. Further, for each initiative, OMB designated a
specific agency to be the initiative's "managing partner," responsible
for leading the initiative, and assigned other federal agencies as
"partners" in carrying out the initiative. OPM was designated the
managing partner for five initiatives—Recruitment One-Stop, which is
to provide a consolidated Web site for federal job applicants;
e-Clearance, which seeks to improve the process of granting
security clearances; Enterprise Human Resources Integration,
which is to replace paper personnel files with electronic records;
e-Training, which is to provide Internet-based training for federal
employees; and e-Payroll, which seeks to consolidate federal payroll
systems. The five initiatives are all part of the internal efficiency and
effectiveness portfolio.

In developing this testimony, our objectives were to describe the
progress of the five e-government initiatives being managed by OPM
and identify key challenges associated with implementing them
successfully. To address these objectives, we analyzed relevant
documentation from OPM and interviewed project officials from
each of the initiatives. To assess progress to date and identify major
challenges to implementing the initiatives, we analyzed the reported
accomplishments and planned activities of the projects and
compared them with information provided in the initiatives' original
business cases. We also held discussions with agency officials to
obtain additional information. We performed our work in September
2003 in accordance with generally accepted government auditing
standards.
OPM’s e-Government Initiatives Are Designed to Support a Range of Human Capital Functions

OPM’s e-government initiatives are intended to serve as a complete set of electronic support tools for the federal government’s human capital functions, including recruitment, security clearances, personnel records, training, and payroll. OPM’s retirement systems modernization project—not an OMB-sponsored initiative—rounds out this set of tools. OPM’s vision is for these initiatives to streamline and improve the process for moving employees through the entire life cycle of their employment with the federal government and to do so consistently with the evolving Federal Enterprise Architecture as well as with security and privacy standards. According to the agency, the success of the initiatives will depend on leveraging of existing IT coupled with standardization and consolidation practices that are beneficial to end users.

If successful, these initiatives are likely to accrue savings to the federal government by reducing redundancy among agency systems and streamlining the various processes involved in tracking and managing federal employment. Although we have not evaluated its claim, OPM asserts that its e-government projects will save approximately $2.6 billion over the life of the initiatives. These savings are expected to derive not only from eliminating duplicative personnel systems, such as payroll systems, but also from such process improvements as reducing the amount of time it takes to obtain a security clearance and streamlining the way in which training is administered. Table 1 provides an overview of OPM’s e-government projects and key milestones, and table 2 provides a summary of changes in cost estimates for the initiatives.

*Enterprise architectures are blueprints for transforming how a given entity operates, whether it be a federal agency or a federal function that cuts across agencies. The Federal Enterprise Architecture is intended to facilitate government-wide improvements through cross-agency analyses and the identification of duplicative investments, gaps, and opportunities for collaboration, interoperability, and integration within and across government agencies. For more information, see GAO/NSIAD-98-143 (Washington, DC: Feb. 25, 2002).
Table 1: Overview of OPM’s Five e-Government Initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Purpose</th>
<th>Key Milestones</th>
</tr>
</thead>
</table>
| Recruitment One-Stop  | Provide a one-stop Web site for federal job seekers by implementing a single application point that includes vacancy information, job application submission, application status tracking, employment eligibility screening, and applicant database mining. | • June 2002—launched an updated Web site at www.usajobs.opm.gov.  
• August 2003—implemented database mining tools, integrated assessment tools, and status tracking.  
• December 2003—began shutdown of job search engines and resume builders at other federal agencies. |
| e-Clearance           | Improve the efficiency and speed of granting federal government security clearances by minimizing the efficiency of data collection and case scheduling, simplifying the location of existing investigations and clearances, and making the retrieval of archived records a near real-time event. | • May 2002—began consolidating clearance investigation results to a DODCivilian database.  
• November 2002—deployed a new clearance certification form that allows individuals to indicate changes, if any, to their clearance status.  
• June 2004—electronic retrieval and dissemination of investigation information available to authorized agency users. |
| Enterprise Human Resource Integration (EHR) | Provide a data repository of standardized core human resource data to replace the paper Official Personnel File with an Official Electronic Record, enabling the electronic exchange of information between agencies during an employee’s government career. | • July 2003—selected a systems integrator and began work.  
• September 2003—built and deployed a proof-of-concept system for a consolidated EHR data repository.  
• Second quarter 2004—develop and deploy interfaces with agencies to exchange data on a biweekly basis. |
| e-Training            | Support development of the federal workforce through simplified and one-stop access to high-quality internet-based training products and services to unify training services across the federal government. | • July 2002—launched www.goteam.gov with 37 training courses and over 100 books and professional journals.  
• January 2005—enhanced the Web site with additional courses and tools.  
• September 2004—interface to or shut down existing federal on-line training systems. |
| e-Payroll             | Improve federal payroll operations by consolidating the operations of 22 existing federal payroll system providers, simplifying and standardizing federal payroll policies and procedures, and better integrating payroll, human resources, and finance functions across federal agencies. | • January 2005—chose four agencies to be payroll providers for all executive branch agencies.  
• January 2003—began agency payroll services consolidation.  
• September 2004—complete migration of the existing payroll providers to one of the two payroll partnerships. |

Source: GAO analysis of OPM and OMB documents.

Table 2: Changes in Cost Estimates for OPM’s Five e-Government Initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>FY 2002</th>
<th>FY 2003 estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiative</td>
<td>Original estimate</td>
<td>Actual</td>
</tr>
<tr>
<td>Recruitment One-Stop</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>e-Clearance</td>
<td>3.2</td>
<td>5.4</td>
</tr>
<tr>
<td>Enterprise Human Resource Integration</td>
<td>3.2</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Page 5
Recruitment One-Stop

Recruitment One-Stop is a collaborative effort between OPM and its federal agency partners to develop a comprehensive Web site (www.usajobs.opm.gov) to assist applicants in finding employment with the federal government. Full implementation of Recruitment One-Stop is expected to benefit citizens by providing a more efficient process for locating and applying for federal jobs, and to assist federal agencies in hiring top talent in a competitive marketplace. As we have previously reported, automation has the potential to provide a variety of benefits in streamlining the hiring of new employees. The specific objectives of Recruitment One-Stop that will benefit federal job applicants include:

- a single portal advertising federal job opportunities that supports searching for jobs by type, location, salary, or level of experience; a standard method for applying for federal positions that provides immediate feedback on basic eligibility; and basic eligibility screening that addresses issues such as citizenship, age, and special occupational requirements, such as the need to carry firearms;
- standardized vacancy announcements with additional detailed information available via electronic "hyperlinks";
- tools to build and store an on-line resume, including a resume template covering all information normally needed to make basic qualifications and eligibility determinations; and
- the ability to check on the status of federal job applications by accessing basic information such as closing and/or cancellation dates, dates of candidate referral, and points of selection.

In addition, agencies are expected to be able to search and review the resumes of consenting applicants in the USAJOBS database, a

process called applicant database mining. This feature will assist agencies in locating candidates for hard-to-fill positions by capturing "passive" job seekers who have resumes on file, but who may not have thought of looking for opportunities within a particular agency, job field, or location.

To date, the Recruitment One-Stop initiative has met several planned milestones, including implementing enhancements to the previously existing www.usajobs.opm.gov Web site in August 2003, such as a resume builder to assist job applicants in developing up to five versions of their resume with which to apply for federal jobs, and a basic application status tracking tool to assist applicants in finding the status of their federal applications. By the end of this month, OPM plans to have all executive branch agencies using the Web site to advertise their jobs. By December 2003, it intends to begin working with agencies to shut down agency-unique job search engines and resume builders.

OPM has continued development of the enhanced USAJOBS Web site despite a successful bid protest against its contract award for implementing the enhancements. On January 16, 2003, OPM awarded a contract to TMP Worldwide, Inc., to support enhancements to the Web site. However, on January 24, 2003, a competing vendor, Symplicity Corporation, protested the award. We sustained Symplicity's protest on April 29, 2003, based on a determination that OPM did not exercise certain necessary evaluative controls in its review of the bids before awarding the contract, resulting in errors in the bidding process that created an unfair competitive environment. For example, we found that OPM did not perform an analysis of whether the quoted services, labor categories, and other direct costs included in TMP's quotation were within the scope of TMP's approved GSA contract schedule. Based on this finding, we recommended that OPM reopen discussions with all vendors whose quotations were competitive and request and reevaluate revised quotations. However, on July 21, 2003, OPM informed us that it would not reopen discussions with vendors, citing as one of its reasons the need to complete the system "within the government's required time frame." On August 5, 2003, we submitted a report to Congress summarizing the protest decisions and the circumstances of the failure of OPM to implement our recommendation.

OPM is planning to measure the performance of the enhanced Web site and features with metrics such as cost per hire, time to fill vacancies, and the percentage of federal job applicants using...
Recruitment One-Stop. OPM expects that once Recruitment One-Stop is fully implemented, it will generate a total of $305 million in savings through fiscal year 2012. According to project officials, the expected cost savings were extrapolated from projected average annual decreases in the cost of hiring each new federal employee. By fiscal year 2005, OPM’s goal is to reduce the cost per hire from $2,700 to $2,678, reduce the time to fill job vacancies from 102 days to 97, and increase the percentage of job applicants using Recruitment One-Stop from 80 to 84 percent.

**e-Clearance**

The e-Clearance project is designed to improve processing of security clearances for federal employees. It focuses on consolidating and increasing access to information to improve the efficiency of granting or locating previous clearances or investigations. OPM intends the e-Clearance project to help streamline data collection and case scheduling by making it easier to locate existing investigations and clearances, providing for almost immediate retrieval of archived records as they are needed. The expected benefits include quicker granting of clearances, elimination of redundant investigations, and financial savings from a reduction in the overall costs of clearances. The initiative consists of three modules:

- **Electronic Questionnaire for Investigations Processing** involves the automation of the Questionnaire for National Security Positions (Standard Form 86). This paper-based form requires at least 2 hours to complete, and some federal employees are required to fill it out as often as every few months to maintain their security clearances. Since the current form is processed manually, it must be completed each time from scratch. In contrast, the electronic version of the form will be populated with previously submitted data, thereby streamlining the application process. In addition, a new form has been deployed that allows federal employees to indicate that there have been no changes in the data provided on the most recently filed Standard Form 86, or, where there are changes, to provide only the newly changed information.

- **Clearance Verification System** consists of the development and implementation of a cross-agency system to enable a single search to locate investigative and clearance information from any agency. This module requires civilian agencies to load their existing clearance information into OPM’s Security/Suitability Investigations System.
Index so that new clearance applications can be checked against existing information. The module also includes developing a link to the Department of Defense's Joint Personnel Adjudication System to access comparable DOD information.

- **Imaging** includes the creation, storage, and retrieval of digital images of investigative reports and other documents. Often, the longest delay in an investigation can be the retrieval, copying, and mailing of previous reports. The use of imaging is intended to ease retrieval and dissemination of investigative information for authorized users.

Currently, OPM states that all major milestones for this initiative have been met, including:

- activating Electronic Questionnaires for Investigations Processing in June 2003;
- completing the Clearance Verification System connection between OPM and DOD at the end of 2002, and having 80 percent of agencies load their existing clearance information into the Clearance Verification System at the end of January 2003; and
- beginning the process of creating digital images of existing investigative records by May 2003.

The requirements for imaging were developed between the fall of 2002 and the summer of 2003, and some agencies have begun imaging while others will phase in this capability. Additionally, OPM plans to implement a secure network for exchanging imaged files by early 2004.

OPM plans several performance improvements for fiscal year 2005, including reducing the average time to process clearance forms electronically from 28 to 21 days, adding three additional forms to the one now available in the Electronic Questionnaires for Investigations Processing application, keeping unscheduled application downtime at no more than 2 percent, and providing training to all e-Clearance staff.

OPM estimates that e-Clearance will realize savings of $258 million through fiscal year 2012. These savings are to be realized through avoiding agency-unique systems procurements and through a $50 reduction in the average cost of each clearance investigation.
Enterprise Human Resources Integration

The purpose of the Enterprise Human Resources Integration (EHRI) initiative is to facilitate human capital management activities by providing storage, access, and exchange of standard electronic information, through development of a data repository of standardized core human capital data for all 1.5 million executive branch employees. These data will be in the form of an Official Electronic Record, which is intended to replace the current paper-based Official Personnel File. An Official Electronic Record for each employee is to be maintained through electronic exchange of information among agencies throughout an employee’s government career. Because all EHRI information exchanges will be electronic, OPM expects to reduce process cycle times, and improve the accuracy of transactions.

The three primary goals of EHRI are to

- provide for comprehensive knowledge management and workforce analysis, forecasting, and reporting to further strategic management of human capital across the executive branch;
- enable expanded electronic exchange of standardized human resources data within and across agencies and systems and the attainment of associated benefits and cost savings; and
- provide unification and consistency in human capital data across the executive branch.

OPM plans to implement EHRI in three releases. Release 1 will be a prototype of the data repository system and is scheduled to be ready by September 30, 2003. Release 2, scheduled for the second quarter of fiscal year 2004, is intended to allow biweekly employee data to be provided electronically. Release 3 is planned to incorporate interfaces between OPM’s Retirement System Modernization system and e-Training and to allow two-way electronic transfer of personnel data between agencies. The system functionality is to be incrementally available between March and September 2004.

OPM plans to improve performance for fiscal year 2004 in areas such as personnel management, savings and cost avoidance, and data reliability and quality. For example, it intends to alter regulations, executive orders, and laws to enable the conversion of records to an electronic format. Another planned measure involves eliminating the need for agencies to develop new human capital
management capabilities. Other measures include a reduction in the baseline data error rate and participation by 9 of the 18 partner agencies in electronic workforce forecasting. OPM reported that EHRI would save taxpayers around $20 million through fiscal year 2012.

### e-Training

The purpose of the e-Training initiative is to create a government-wide e-Training environment—the Gov On-line Learning Center (www.golearn.gov)—which is to support the development of the federal workforce and provide a single source for on-line training and strategic human capital development for all federal employees. The Gov On-line Learning Center is designed to provide users access to a broad range of products and services, including mandatory government-wide training on topics such as computer security, ethics, and preventing sexual harassment, as well as agency-specific training and high-interest topics, such as homeland security. Some of the courses are to be free, while others are to be available on a fee-for-service basis.

OPM also plans for the GoLearn Web site to provide tools that will allow human capital specialists and employees to match an employee's professional and individual development to available courses and services. OPM expects that its initiative will allow agencies to focus their own training efforts on unique needs, thus maximizing the effectiveness of their expenditures on workforce performance. Providing agencies with on-demand e-learning services is expected to enable the government to better attract, retain, manage, and continuously educate the highly skilled professionals needed for a flexible and high-performing government workforce.

The e-Training initiative is intended to benefit the government and federal workforce by

- encouraging e-training investments as part of a systematic and continuous development of federal government human capital;
- reducing redundancies in the development and purchase of e-training content;
- achieving economies of scale through consolidated purchasing;
• offering easy, one-stop access to a robust, high quality e-training environment; and

• leveraging components of existing e-training systems.

The e-Training Initiative is composed of three developmental modules. Module 1, launched in July 2002, included 27 free commercial off-the-shelf training courses (on topics such as project management, prevention of sexual harassment, using Microsoft Excel spreadsheet software, and change management); "Search and Select," a set of quick 5 to 7 minute learning segments; and "E-Books," a collection of over 100 professional journals and books. Module 2, launched in January 2003, added access to additional free commercial and government courses, fee-for-service options for e-training products and services, enhanced registration and reporting, and blended learning options for law enforcement training and executive and management training. Finally, Module 3, originally scheduled for June 2003, recently became operational. OPM states that this module will include a Merit Systems Principles e-course, as well as competency-based workforce development roadmaps specifically for IT workforce occupations. Accordingly to OPM, future releases of the Gov Online Learning Center will move from providing content to facilitation of learning. The agency also plans to introduce knowledge domains, user communities of practice, and virtual collaboration tools.

OPM estimated that e-Training would save taxpayers about $784 million through 2012. These savings are expected from the lower cost associated with providing on-line training, such as savings resulting from less travel. OPM expects to have 30 customized Web sites in operation for fiscal year 2004. Its goal is to have 77,000 courses completed and 48 sites developed. It is planning to measure performance of the e-Training Initiative through indicators such as the number of eligible GoLearn users, the number of participating entities, the number of GoLearn courses completed and the number of custom sites. For example, OPM plans to increase the number of individuals registered on the GoLearn site from 142,000 to 190,000.

e-Payroll

The goal of the e-Payroll initiative is to substantially improve federal payroll operations by standardizing them across all agencies, integrating them with other human resource functions, and making them easy to use and cost-effective. To achieve this goal, plans are
to consolidate the operations of 22 existing federal payroll system providers, simplify and standardize federal payroll policies and procedures, and better integrate payroll with other human capital and finance functions across federal agencies.

Major objectives of the initiative include (1) defining governance for the initiative, (2) standardizing payroll policies, (3) establishing an e-Payroll enterprise architecture, and (4) overseeing consolidation of agency payroll operations. The first major project deliverable—establishing governance—was completed in April 2002 as scheduled. OPM chose four agencies to be providers of payroll services to all 116 executive branch agencies. The four selected providers are the General Services Administration (GSA) and the Departments of Defense, Interior, and Agriculture. The initiative is divided into two major phases:

- migrating each of the 18 nonselected payroll system providers to one of the four selected providers by September 2004, and

- merging the functions of the four selected payroll providers into one, while working to develop a single, integrated payroll system for all executive branch agencies.

Although providers have been selected and a migration schedule established for nonselected agencies, other actions have been delayed. Standardization of policies, originally scheduled for completion in July 2002, is currently ongoing. The enterprise architecture planning task and the initial phase of agency consolidations were both scheduled to begin in October 2002 but were not initiated until January 2003. According to the project manager, these schedule deviations have not led to a significant delay in the overall progress of the initiative toward the original goal of consolidating the 22 payroll providers to 4 by September 2004.

OPM reported that e-Payroll should save $1.1 billion through fiscal year 2012. These savings would result from reducing operating costs, eliminating duplicative systems investments, and simplifying payroll processing. OPM plans to use several indicators to measure performance and improvements regarding e-Payroll for fiscal year 2005, including reductions in payroll costs per W-2 per employee, improvements in the accuracy of Treasury disbursements, and reductions in response time. Currently, the cost of payroll services per W-2 per employee can vary from $125 to $225. OPM's plan is to lower these costs to $97. Other planned improvements include increasing the accuracy of Treasury's disbursements from 98
percent to 100 percent and reducing the cycle time involved in delivering payroll services.

OPM Faces Significant Challenges in Implementing Its e-Government Initiatives

OPM's portfolio of e-gov initiatives represents an ambitious attempt to transform the way human capital functions and services are carried out in the federal government. In implementing the initiatives, OPM faces a number of challenges that, if not fully met, could erode support for the initiatives or prevent OPM from meeting its objectives and realizing the improvements and dollar savings that the agency has projected. We have commented in the past on the many challenges facing e-government projects in general. Today, I'd like to concentrate on three challenges that are especially pressing for OPM's efforts. These include (1) managing accelerated acquisitions, (2) achieving governmentwide consolidation of common electronic functions, and (3) estimating and measuring cost savings.

Managing Accelerated Acquisitions

Program managers for many of the 25 OMB-sponsored e-government initiatives have been under pressure, both from OMB and within managing partner agencies, to achieve results quickly. One of the criteria for OMB's selection of its e-government initiatives was the potential for the project to be completed "within 18-24 months." In order to meet the demand for quick results, significant alterations have been made to the acquisition plans for several initiatives.

For example, in the case of the e-Authentication initiative, which is focused on developing a centralized gateway for electronic authentication in support of the other OMB-sponsored initiatives, a decision was made to compress to approximately 5 months the competitive contracting process, which had originally been planned to take place over a full year. The major factor in this decision was the perceived need to make the planned gateway fully operational as soon as possible. However, this accelerated schedule may be difficult to achieve because it is based on an extremely short time

frame, in which the selected contractor must develop, test, and deploy a fully operational gateway.

In the case of the Geospatial One-Stop initiative, which aims to establish a Web portal for locating and disseminating geospatial information, the initiative's board of directors decided in early 2003 to make an award based on an unsolicited proposal rather than continue a competitive procurement, largely because of a perceived need to implement the Web portal as quickly as possible. The change in acquisition plans has caused concern among many in the geospatial information systems community that the contractor's proprietary approach to developing the Web portal could make it difficult for many potential contributors to share data with the portal—which would prevent the initiative from meeting its goal of providing one-stop access to geospatial data.

OPM has likewise taken a controversial step with its recent Recruitment One-Stop acquisition. In its decision to continue with its awarded contract for Recruitment One-Stop, despite a successful bid protest by Symplicity Corporation, OPM officials perceived the need to implement an e-government initiative as quickly as possible to be one factor outweighing the importance of issues that we raised concerning the conduct of the procurement. In its letter to us explaining why it intended to proceed without implementing our recommendation, OPM made clear that it was concerned about implementing Recruitment One-Stop quickly: "The [Recruitment One-Stop] program is ready to become operational. National security demands and critical domestic needs underlie the Government's vital need for efficient recruitment and hiring methods. No other contractor can complete the system within the Government's required timeframe." However, in our report to Congress, we noted that OPM did not provide any details to support this claim. While it is important to adhere to agreed-upon schedules and milestones, it is also important to follow established contracting procedures, which are intended to ensure fair competition. A rapidly chosen vendor may not represent the best value for the government's investment.

By leaving questions about the fairness of the Recruitment One-Stop competition unresolved, OPM risks alienating potential supporters of its e-government initiative. In order to ensure the ultimate success of its initiatives, it is important that OPM—as well as the other managing partners of OMB-sponsored initiatives—carefully weigh the risks and benefits of making significant changes to its
planned acquisitions solely based on the need to produce results quickly.

Achieving Governmentwide Consolidation of Common Electronic Functions

Each of OPM's five initiatives aims to ultimately create a single system or Web-based service to support a specific human capital function across the federal government. In each case, agency-unique systems and processes must be either replaced or integrated into the planned single system. Clearly, one of OPM's biggest challenges is managing the process of migrating agency-unique systems into consolidated systems and services that are flexible enough to effectively support the needs of virtually all federal agencies.

Many current federal human capital systems are based on proprietary systems that were originally developed for the narrowly defined needs of a single agency or bureau. These systems were not designed to be interoperable with external systems, and generally were not built to government standards (which have not yet been defined for many human capital functions). The development of systems based on narrowly defined needs, combined with traditional barriers to interorganizational cooperation, have led to the current environment of duplicative, inefficient, nonintegrated ("silos") operations.

One way to encourage interagency cooperation on multiple systems migrations is to develop a concerted strategy for managing change and communicating effectively with all affected parties. In June 2002, OPM submitted to OMB its change management and communication plan, which specified steps that OPM planned to take in managing change and communications. In implementing its plan, OPM established change management councils and delivered presentations on its plans for specific initiatives, as well as for governmentwide integration of human capital functions, to a range of audiences, including high-level officials (such as the e-Government committee of the President's Management Council and the Chief Human Capital Officers Council) and line managers (such as human resource managers).

Effective change management and communication will be critical, as agencies may be required to take positive action to both to shut

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1 Interoperability is the ability of two or more systems or components to exchange information and to use the information exchanged.
down existing redundant systems and invest in new technology to connect with OPM's standardized systems. OPM is planning for agencies to shut down a number of agency-unique systems and applications. For example, the e-Payroll initiative is set to reduce federal payroll providers from the current 22 to just two partnerships of two providers each. Nonselected payroll providers will be required to shut down operations. Another example is the Recruitment One-Stop initiative, which envisions that agency on-line resume building and job search engine capabilities will be shut down in favor of OPM's centralized system. The e-Training initiative also plans for agencies to shut down their unique systems in favor of OPM's offering.

Consolidation may also mean that agencies must make new investments in order to connect with a new, integrated system. The e-Clearance Initiative, for example, requires all agencies with archives of clearance investigations to make those materials available electronically, thus necessitating agency expenses for new imaging equipment. Likewise, EHRI will require agencies to make modifications to their systems allowing electronic personnel records to be transmitted to OPM's central repository. Getting cooperation from all affected agencies in making these investments will be challenging.

OMB's support is a critical factor in facilitating these consolidations. For several e-government initiatives, OMB has used its statutory authority under the Clinger-Cohen Act of 1996 to direct agencies to identify and halt funding of potentially redundant IT investments. For example, OMB issued on January 10, 2003, a letter to federal agencies directing them to halt spending on agency-specific payroll modernization efforts not associated with migrating to the e-Payroll initiative. A similar letter had been issued in April 2002 directing agencies to load their security clearance information into e-Clearance's Clearance Verification System.

Beyond issues of organizational cooperation, technical integration can also be very challenging. Developing a common set of standards that are agreed to and used by all project partners is a key factor for integrating disparate, noninteroperable systems and services. Ensuring that processes are in place by which partners can select and agree upon standards and that all partners are adopting them are key factors in successfully establishing standards. Finally, standardization within the framework of the emerging Federal

[Page 17]
Enterprise Architecture is key to promoting compliant development and implementation across the government. OPM officials said they plan to use the Federal Enterprise Architecture to document specific data requirements for the human capital functions supported by their e-government initiatives.

OPM has taken steps to involve its partners and other federal agencies in the process of identifying opportunities for standardization on the e-Payroll initiative. However, it still faces the challenging task of getting federal agencies to reach agreement on a single payroll standard that they all can use. As agencies migrate ultimately to this single standard, changes may need to be made either to provider payroll processes and standards—so that the various payroll mandates can be accommodated—or to the mandated requirements themselves, so that agencies can conform to the single-payroll standard. For example, the Department of Veterans Affairs' Acting Deputy Assistant Secretary for Finance expressed concern that administering payroll systems under Title 38 of the United States Code—"the legislation that governs the agency's payroll processes—was very complex, and that significant changes in payroll processing could be necessary as the agency migrates to its new payroll provider. According to an OPM study, in addition to Title 38, there are at least 13 other sets of legislated federal payroll provisions that will need to be reviewed and addressed before a single federal payroll system can be implemented. Without agreement on standards, changes mandated by OPM may not fully address agencies' individual payroll processing requirements, increasing the risk that agencies will not be able to migrate as planned to the chosen governmentwide standard.

OPM may face similar challenges in establishing standards for official electronic personnel records, as part of EHRM. OPM officials conducted an exercise to identify all the various types of data captured by federal personnel forms. OPM officials identified 89 major data categories, with over 600 data elements. OPM officials recognize the challenge they face in seeking agreement across federal agencies on standardizing these data elements, a process which is still in its early stages.

While it is relatively easy to develop and implement Web sites that facilitate exchange of information—as some of OPM’s initiatives do—the agency can expect greater challenges in getting cooperation across the government to consolidate functions by shutting down redundant systems, investing in new technologies, and committing to new governmentwide standards. For several of OPM’s initiatives—including e-Payroll and eHR—I much of this process still remains to be completed.

Estimating and Measuring Cost Savings

One of the goals of OMB’s e-government strategy includes achieving cost savings as an outcome of implementing the 25 e-government initiatives. For example, in its 2002 strategy OMB estimated that these initiatives could generate several billion dollars in savings by reducing operating inefficiencies, redundant spending, and excessive paperwork, and it also estimated that the initiatives would make available over $1 billion in savings from realigning redundant investments. In addition, OMB has stated that the initiatives were selected for inclusion in the e-government strategy because they provided the most value to citizens while generating cost savings or improving the effectiveness of the government.

OPM has estimated substantial cost savings that official believe can be attributed to the e-government initiatives. Specifically, the agency estimates that the total savings expected from all five of its e-government initiatives will be more than $2.6 billion through fiscal year 2012. Such savings would be realized through performance enhancements that could reduce expenses such as costs per application for security clearances, costs per transaction for payroll processing, and costs associated with hiring new federal employees. Table 3 provides an overview of the cost savings estimated by OPM for its initiatives.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Estimated savings</th>
<th>Projected return on investment</th>
<th>Planned fiscal year 2005 financial performance enhancements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment</td>
<td>$265 million</td>
<td>710 percent</td>
<td>Reduce cost per hire</td>
</tr>
<tr>
<td>e-Clearance</td>
<td>$258 million</td>
<td>440 percent</td>
<td>Reduce cost per security clearance application</td>
</tr>
</tbody>
</table>

Table 3: Estimated Cost Savings from Performance Enhancements
45

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Estimated savings</th>
<th>Projected return on investment</th>
<th>Planned fiscal year 2005 financial performance enhancements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources Integration</td>
<td>$235 million 51 percent</td>
<td>Reduce cost per transaction due to reduction in manual paper processing</td>
<td></td>
</tr>
<tr>
<td>e-Training</td>
<td>$784 million 262 percent</td>
<td>Reduce tuition and travel-related costs for participating agencies</td>
<td></td>
</tr>
<tr>
<td>e-Payroll</td>
<td>$1.1 billion 155 percent</td>
<td>Reduce cost per payroll transaction per employee</td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO analysis of OPM records.

OPM faces a significant challenge in realistically estimating the financial savings to be derived from its e-government initiatives. In many cases, estimated cost savings associated with process improvements are only loosely based on measures that are inherently abstract, such as the average cost of performing a certain function across the government. For example, e-Training project officials estimate that federal agencies can reduce training costs substantially by substituting electronic courses taken through e-Training—which cost approximately $10 to $15 per training instance—for traditional courses, which cost on average $150 per training instance, including travel. However, it is unclear the extent to which this kind of substitution will actually take place, or how it could lead to savings of $784 million through 2012, as forecast by OPM. The e-Training project manager told us that the estimate was based on cost avoidance for training tuition, travel, and economies of scale in acquiring training software licenses.

Similarly, for the Recruitment One-Stop initiative, project officials predict that implementation will lead to a reduction in the average cost of hiring a new federal employee of $112 in fiscal year 2006—from $2,700 to $2,678, or about 4 percent. With about 150,000 new federal hires each year, the total savings through 2012 would amount to about $108 million—significantly less than the total cost savings of $965 million over that period that OPM estimates. According to OPM officials, the additional savings would be gained through other factors contributing to future efficiencies, although specific performance measures had not yet been established.

OPM’s method for projecting cost savings due to process improvements may overstate the savings that can be reasonably attributed to those improvements. Specifically, officials stated that for at least one initiative, Recruitment One-Stop, estimated savings included continuing annual efficiency gains due to such things as...
expected "policy improvements" that would not be a direct result of implementing the Recruitment One-Stop initiative.

Further, OPM has not developed mechanisms to track actual training expenditures at agencies to determine whether its estimated governmentwide savings are being realized. With estimated savings based on abstract, average governmentwide costs, it will likely be very difficult to develop methods for documenting the savings associated with process streamlining at each agency across the federal government. In another example, e-Payroll is planned to reduce the number of federal payroll service providers from 22 to 4, and then consolidate those 4 to 2. Clearly, cost savings can be found by reducing the number of payroll systems operated and maintained by the federal government and avoiding the costs of updating or modernizing those systems. However, OPM has not clearly identified all the factors that would contribute to such savings, or what measures will be used to measure them. Cost savings from eliminating redundant systems is also a factor—though a smaller one—in savings projected for Recruitment One-Stop and e-Training.

Effectively measuring e-government cost savings is a challenge for all agencies engaged in efforts to streamline or transform government processes through e-government. To be truly effective in meeting the goals set out in OMB's e-government strategy, agencies need to establish complete, meaningful, and quantitative measures of cost savings. Until such measures can be implemented, predicted cost savings will be difficult to confirm.

In summary, OPM has made progress in moving forward with its five e-government initiatives, which, if fully implemented, could have significant benefits by providing more streamlined and seamless federal personnel processes, and by saving the taxpayers millions through eliminating redundant payroll and other systems. However, OPM continues to face several challenges in implementing and carrying out its e-government initiatives, including managing acquisitions while working to meet accelerated e-government project schedules; consolidating common, governmentwide human resource-related functions; and realistically estimating and measuring the cost savings that can be expected from these initiatives.
Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other members of the subcommittee may have at this time.

Contact and Acknowledgements

If you should have any questions about this testimony, please contact me at (202) 512-6240 or via E-mail at kounszi@gao.gov. Other major contributors to this testimony included Barbara Collier, Felipe Colón, Jr., Larry Crosland, John de Ferran, and Elizabeth Roach.
Attachment I: Selected GAO Products Related to Electronic Commerce and Electronic Government

Electronic Commerce


Electronic Government—Agency-Specific Initiatives


Electronic Government—General


Electronic Signatures


Internet


Department of Commerce: Relationship with the Internet Corporation for Assigned Names and Numbers. GAO/OGC-00-33R. Washington, D.C.: July 7, 2000.
Privacy


Security


Mr. PUTNAM. Our next witness is Norman Enger. Norm Enger is E-government Program Director for the Office of Personnel Management.

Mr. Enger has extensive experience in the information systems industry. Most recently, Mr. Enger was vice president of Computer Associates, the world’s fourth largest software firm, where he was responsible for business strategy and managing delivery of professional services to commercial and Federal E-business clients. Prior to this, he was president of Applied Management Systems, a professional services and systems integration firm.

Mr. Enger, we welcome you to the subcommittee and look forward to your testimony.

Mr. ENGEL. Thank you, Mr. Chairman. I would like to request that my full testimony be entered into the record.

It has been a privilege and a pleasure to work with OPM Director Kay Coles James. Her leadership has let the Office of Personnel Management become a leader in E-government. I would like to add more detail on what she discussed relative to the five OPM E-gov initiatives.

The vision of OPM is for these initiatives, when combined with OPM’s retirement systems modernization effort, to provide an interlocking, trusted enterprise system based on the employee life cycle. These interrelated initiatives streamline and improve processes for moving Federal employees through the employment life cycle. Collectively, these initiatives help make government more citizen centered and results oriented in line with the President’s management agenda.

The goal of the Recruitment One-Stop initiative is to improve the process of locating and applying for Federal jobs. Based upon current site use, 54 million Americans will visit this site each year. Over 700,000 new resumes will be created on this site each year.

With the new USAJOBS Web site, job seekers enjoy a new user-friendly site with a look and feel that is clean, bright and easy to navigate. A new full-text job search is available as well as a new streamlined resume builder. Human resources specialists benefit from the addition of new tools for managing job postings, candidate communications and candidate sourcing. Newly formatted job announcements will be attractively displayed, easy to read and communicate to applicants the benefits and rewards offered by a career in public service. Job applicants are offered more intuitive and flexible job searching capabilities that allow them to more easily identify jobs that best match their interests and skills. They will also be able to check the status of their job applications.

Recruitment One-Stop improves service delivery to job seekers and enhances the government’s position as a competitor for talented personnel.

Our new E-clearance initiative will not only save time and taxpayer money, it is a vital new necessity for a post-September 11 government committed to vigilance and security. Today backgrounds can be checked faster because the forms can be completed and submitted faster. There will be a reduced wait time for clearances and more reciprocity and sharing of clearance information among agencies. All authorized personnel will have quicker access to clearance information, and there will be a reduction in duplica-
tive investigations. The initiative benefits all applicants, employees and contractors to the Federal Government.

When a person completes a standard form 86, part one, data after the first time—addresses, employment, education and so forth—will all be automatically populated, thereby eliminating the need to enter the information, with a time savings of 1 hour per person. Investigations will be less expensive and can be scheduled faster because the SF-56 data will be transmitted and processed as an electronic record.

The second component of the E-clearance initiative is the clearance verification system which provides access for all agency authorized users to the personal security investigation and clearance records of the Federal Government.

The third component of the E-clearance is to image investigative records held by myriad investigative agencies and make them available electronically to all authorized Federal users.

Our E-training initiative with its GoLearn.Gov Web site offers Web-based training to executives, managers and human resources personnel with the information and tools needed to more easily identify career paths and competencies, track performance in key areas and identify and assess learning needs. Over 1 million civilian and military personal use this site each year to receive on-line training. There are currently 100,000 registered users, and 50,000 courses have been completed.

The E-training initiative and its on-line training will provide talented, instructional programs based on the needs of both the individual and the organization. There are cost savings from tuition, cost avoidance compressed learning time and travel cost avoidance. The Competency Management Center on the site allows human resource specialists and employees to more easily plan professional and individual development and map into courses and services. Current research in government and commercial sectors suggest that employees are more likely to stay with organizations that provide training opportunities that are aligned with career development.

Our next initiative, Enterprise Human Resource Integration, is the beginning of the end of those tons of paper personnel folders. Conducting work force planning analysis on a large scale is difficult today because personnel data is stored on paper in personnel folders and the subset of that data is stored in a jumble of legacy systems of varying levels of functionality and integration.

The goals of EHRI are clear: provide comprehensive knowledge, management and work force analysis to enhance strategic management of human capital across the executive branch. This includes a data repository for knowledge management and work force planning. This repository is becoming operational on September 30, 2003.

Next is an able, enhanced and expanded electronic exchange of standardized human resources data within and across agencies producing tangible benefits and cost savings.

The E-payroll initiative advances the E-government agenda by creating rare efficiencies in Federal payroll processing. We are reducing 22 Federal payroll systems to two partnerships that provide payroll processing services. The current 22 systems that pay 1.8
million civilian employees employ a variety of paper and electronic processing. Records are not easily shared between agencies. We want E-payroll to be a simple, easy-to-use, cost-effective, standardized, integrated human resource and payroll service to support the mission and employees of the Federal Government. The managing part of OPM established and led a working group to analyze Federal and civilian payroll service delivery from a governmentwide perspective in order to identify options for the modernization and improvement of payroll systems processes.

Payroll consolidation will provide Federal employees more efficient and effective service. They will have better information, consistent net pay, on-line enrollment and electronic access to information. Service delivery will be improved through standardized systems.

Mr. Chairman, OPM E-government is using digital technologies to transform government operations in order to improve effectiveness, efficiency and service delivery. The program management office for E-gov at OPM has the vision that seeks an order of magnitude improvement in the Federal Government’s responsiveness and value to the citizen.

Thank you. I will be happy to answer any questions.

Mr. PUTNAM. Thank you very much Mr. Enger. We appreciate you being here. We appreciate your testimony.

[The prepared statement of Mr. Enger follows:]
STATEMENT OF
MR. NORM ENGEL, DIRECTOR, E-GOV
U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS, AND THE CENSUS

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

on

ACHIEVING E-GOVERNMENT EFFICIENCIES AT THE
OFFICE OF PERSONNEL MANAGEMENT

SEPTEMBER 23, 2003
Thank you Mr. Chairman. I would like to request that my full testimony be entered into the record.

My name is Norman Enger and I am the OPM e-Government Program Director for the five OPM e-Government initiatives.

It has been a privilege and a pleasure to work with OPM Director Kay Coles James. Her leadership has let the Office of Personnel Management become a leader in e-Government. The OPM e-Government initiatives are using information technology (IT) to provide enterprise Human Capital solutions for the Federal Government. I would like to provide more detail to the five critically important Presidential e-Government initiatives which Director James has discussed.

E-Gov, in total, provides the framework and methodologies to consolidate disparate resources and processes into a modern, trusted Federal Human Capital enterprise architecture. Our goal is to deliver an e-government that supports the modernization of human resources management systems and the development of human capital across the Federal government.

As Director James stated, the vision of the Office of Personnel Management is for these initiatives, when combined with OPM's Retirement Systems Modernization initiative, to provide an interlocking enterprise system based on the employee lifecycle. These interrelated initiatives streamline and improve processes for moving Federal employees through the employment lifecycle. Collectively, these initiatives help make
government more citizen-centered and results oriented in line with the President’s Management Agenda.

The goal of the Recruitment One-Stop initiative is to improve the process of locating and applying for Federal jobs. We are delivering to both job seekers and Federal agency recruiters a wealth of exciting new features and capabilities. Based upon current site use, 54 million Americans will visit this site each year. Over 700,000 new resumes will be created on this site each year. With the new USAJOBS website, job seekers enjoy a new user friendly site with a look and feel that is clean, bright and easy-to-navigate. A new full text job search is available as well as a new streamlined resume builder. Human Resources specialists benefit from the addition of new tools for managing job postings, candidate communications, and candidate sourcing.

Recruitment One Stop improves service delivery to job seekers and enhances the Government’s position as a competitor for talented personnel. Newly formatted job announcements will be attractively displayed, easy to read, and communicate to applicants the benefits and rewards offered by a career in public service. Agency hiring managers will be able to search resumes contained in the database to source potential candidates. Job applicants are offered more intuitive and flexible job searching capabilities that allow them to more easily identify jobs that best match their interest and skills. They will also be able to check the status of their job applications.

OPM Director Kay Coles James is committed to fixing the Federal hiring process. The Recruitment One-Stop initiative and the new USAJOBS web site are key
components in making this goal a reality. This initiative is reducing the complexity in Federal hiring and making it easier to hire qualified applicants. It will decrease the cost per hire and reduce the time needed to fill vacancies.

Our new **e-Clearance initiative** will not only save time and taxpayer money, it is a vital new necessity for a post 9/11 government committed to vigilance and security. Today, backgrounds can be checked faster because the forms can be completed and submitted faster. There will be a reduced wait time for clearances and more reciprocity and sharing of clearance information among agencies. Authorized personnel will have quicker access to clearance information and there will be a reduction in duplicative investigations. This initiative benefits all applicants, employees, and contractors to the Federal Government.

Now, when a person completes the Standard Form 86, the Part 1 data (after the first time) -- addresses, employment, education and so forth -- will be automatically populated thereby eliminating their need to re-enter the information with an estimated time savings of one hour per person.

This represents a significant time and cost savings for both the government and private industry. Investigations will be less expensive and can be scheduled faster because the SF 86 data will be transmitted and processed as an electronic record.

The second component of the e-Clearance initiative is development and implementation of a cross-agency Clearance Verification System (CVS). The CVS initiative captures the concept of providing access for all agency authorized users to the personnel security investigation and clearance records of the government.
The third component of e-Clearance is to image investigative records held by the myriad investigative agencies and make them available electronically to all authorized federal users. By doing so, e-Clearance will facilitate the exchange of previous investigative results thereby maximizing cost avoidance by eliminating redundancy.

These components provide performance improvements and cost savings. Locating the investigative and clearance records of persons moving between the government and the private sector or between agencies has been simplified. In the future, persons will not have to undergo unnecessary investigations because a previous, valid record could not be located or quickly accessed.

Our e-Training initiative with its golearn.gov website will provide executives, managers, and human resources personnel with the information and tools needed to more easily identify career paths and competencies; track, measure, and report on agency performance in key areas; and identify and assess learning needs. Over 1 million civilian and military personnel use this site each year to receive on-line training. There are currently over 100,000 registered users and 60,000 courses have been completed.

In concert with the widely acknowledged benefits for distance learning, the e-Training initiative and its on-line training will provide targeted instructional programs based on the needs of both the individual and the organization. The Agency competency assessment, development, and management capabilities from e-Training will keep the streamlined Federal workforce operating at maximum efficiency. The customized learning environment made possible by this initiative allows agencies to focus training efforts on their own specific business needs, thereby more effectively
using their scarce training dollars to improve workforce performance. There are cost savings from tuition cost avoidance, compressed learning time, and travel cost avoidance.

Current research in government and commercial sectors suggests that employees are more likely to stay with organizations that provide training opportunities that are aligned with career development. The e-Training initiative seeks to achieve this alignment, providing tools, such as the Competency Management Center, that allow human resource specialists and employees to more easily plan professional and individual development and map it to courses and services.

The Gov Online Learning Center which Director James discussed provides a wide array of e-training products and services for free and for fee. Free access is provided for nearly 40 e-training courses such as Computer Security, Ethics, and Sexual Harassment.

The on-line Federal student will also have access to e-Books, a Search & Select feature, and Resource Center links. Many additional services and e-courseware materials can be purchased by government agencies through the Gov Online Learning Center, including libraries of thousands of e-training courses ranging from information technology to management and leadership to communication skills, and assistance with the determination of needs and implementation of learning management systems.

Mr. Chairman, the initiative with the most serious sounding name is the program that is going to eliminate a serious amount of paperwork, backlog and never-ending paper trails. As Director James explained, our Enterprise Human Resources
Integration initiative is the beginning of the end of those tons of paper personnel folders.

As hard-pressed Federal HR managers can attest, conducting workforce planning and analysis on a large scale is difficult today because personnel data is stored on paper in personnel folders, and a subset of that data is stored in a jumble of legacy systems of varied levels of functionality and integration.

The goals of EHRI are clear,

- Provide the capability for comprehensive knowledge management and workforce analysis, forecasting, and reporting to enhance further strategic management of human capital across the Executive Branch. This includes a data repository for data query and analysis, knowledge management and workforce planning. This repository is becoming operational on September 30, 2003.

- Enable expanded electronic exchange of standardized human resources data within and across agencies, producing tangible benefits and cost savings. This includes the electronic exchange of personnel data for inter- and intra-agency transfer, data extraction for OPM's analytical needs, and the ability to create an electronic Official Employee Record.

- Finally, provide unification and consistency in HR data across the Executive Branch. This includes the development of a Government-wide HR business model and the development of a source repository for managing human resource and payroll information.
The e-Payroll initiative advances the e-Government agenda by creating greater efficiencies in Federal payroll processing. We are reducing 22 Federal payroll systems to 2 partnerships that provide payroll processing services. The current 22 systems that pay 1.8 million civilian employees employ a variety of paper and electronic processing; records are not easily shared between agencies as federal employees change jobs in the federal system; and records are manually retired upon employees’ retirement and resignation.

We want e-payroll to be a simple, easy to use, cost effective, standardized, integrated Human Resource and Payroll service to support the mission and employees of the Federal Government.

As the managing partner, OPM established and led a working group to analyze Federal civilian payroll service delivery from a Government-wide perspective in order to identify options for the modernization and improvement of payroll systems and processes. The working group, which consisted of OPM, the Office of Management and Budget and payroll providers, determined that consolidation of payroll service delivery and standardization of payroll processes were the first steps in achieving integrated Human Resource and Payroll services.

Payroll consolidation will provide Federal employees more efficient and effective service. They will have better information, consistent net pay, on-line enrollments, and electronic access to information. Service delivery will be improved through standardized systems.
Mr. Chairman, e-Gov initiatives are not simply providing a technology tool to federal government stakeholders, nor providing a new application using existing technologies. OPM e-Government is using digital technologies to transform government operations in order to improve effectiveness, efficiency, and service delivery.

OPM e-Government is taking advantage of existing information technologies to create the framework for improved management and use of Federal HR resources and information. The Program Management Office for e-Government at OPM has the vision that seeks an order of magnitude improvement in the Federal government's responsiveness and value to the citizen.

Mr. Chairman, these five initiatives of President Bush's administration represent a giant stride in the technological evolution of a government that is rapidly accelerating toward improved operating efficiency on the much heralded information superhighway. These five initiatives improve the way the government works and they have required a lot of work by a lot of dedicated people. They also provide direction for the continuing work that remains to be done.

These dynamic innovations we have discussed this morning are solid evidence that e-government is transforming the way our government operates today.

Thank you and I would be happy to answer any questions.
Mr. PUTNAM. We would also like to recognize our five other panelists on the second panel. Rhonda Diaz, Program Manager for Enterprise HR Integration. Janet Dubbert, Program Manager for E-payroll. Mike Fitzgerald, Program Manager for E-training. Claire Gibbons, Program Manager for Recruitment One-Stop. And Mark White, Acting Program Manager for E-clearance.

We will now move into the questions; and, again, I want to thank all our panelists for being with us.

The Director of OPM testified that the savings would be in the neighborhood of $2.7 billion. GAO refers to the fact that those savings may be overstated. Ms. Koontz, would you elaborate on that some?

Ms. KOONTZ. Based on work that we've done to date, what we have seen raises a lot of questions about how the cost savings were calculated, and some of the assumptions that were made in coming up with those calculations. While I think we understand the sort of broad estimates that went into these cost savings, we haven't yet seen the details that really allow you to replicate the numbers that OPM is coming up with right now, so I don't think we have a conclusion yet. But we have a lot of questions about whether these are the right cost savings or not. We also have further questions about the extent to which OPM has measures in place in order to capture these savings as the projects are implemented.

Mr. PUTNAM. What number do you estimate as being the bottom line savings from?

Ms. KOONTZ. We haven't done the kind of work in order to be able to come up with an independent estimate. I think what we are more looking at, like the example I gave in my oral statement, OPM tells us that there is a certain dollar savings associated with E-recruitment. When we do the math we can't come up with the total dollar savings. And they tell us that there's other factors in there, but we don't know the details surrounding those other factors. So at this point we just question how definite those cost savings are and how reliable they are.

Mr. PUTNAM. Mr. Enger.

Mr. ENGER. We certainly will make an effort to clarify how we made the calculation of the cost savings.

But let me add, if I may, the largest cost savings is in E-payroll. That's $1.1 billion of the $2.7 billion that we have forecast. That $1.1 billion was based upon a much smaller number than 22 agencies processing payroll. I believe it was 14. So in effect, in that case, the $1.1 billion, the cost calculation was based upon closing down or consolidating 14 agencies processing civilian payroll. In reality, we found more and more stovepipe payroll system, so the real number is 22. So I have every expectation that the E-payroll number which is our biggest number, 1.1 billion, will go up and not go down.

Much of that is simply—as you said earlier, Mr. Chairman, it's the stovepiped, separate operations, all the infrastructure, the technology, the hardware, the software, the licensing and such to process 22 different payroll systems for 1.8 million civilian employees.

So, to answer your question, my one example there is I think that E-payroll is a low number; and, at the same time, we would
be more than willing to sit down with GAO and provide more detail as to how we have made our cost calculations.

Mr. Putnam. Any of the other panelists wish to add anything to that?

Are the savings predominantly in the outyears, or can we expect to see some in the near term?

Mr. Enger. Well, the savings, actually—and I'll let Janet talk in a moment here. We're already migrating agencies. We're consolidating agencies. For example, the Department of Energy, just this month, migrated into DFAS, Defense, the DOD operation. Right there, you'll see a reduction in DOE's energy costs to process payroll.

Our target is to have the consolidation between now and September 30, 2004. So, in that sense, we're talking about seeing significant short-term dollar savings. And beyond that we have longer-term savings, you know, in terms of as we look at a more standardized payroll system for the additional savings there.

Janet, do you want to elaborate upon this?

Ms. Dubbert. Norm's absolutely right. The latest business case estimates 22 agencies in the executive branch doing payroll, in fact, that number has even increased. We started with identification of 12, went to 14, and then the original business case identified 16. We then raced to 22. My count today, including the four selected providers, we have 25 independent executive branch agencies that were performing payroll. The immediate savings by the migration activity that is to conclude September 30, 2004, which was the OMB target date, we were estimating approximately $1.6 billion for O&M, operations and maintenance, of the 14 agencies that gave us cost estimates. We don't fund costs associated with operations. So Norm is absolutely right in the fact that we don't have cost information from all the agencies. We are collecting that information at the point of migration planning which is well under way, and we will be able in a few short months to have information operation and maintenance expenses from the total of the agencies currently performing payroll.

But our cost estimates for savings in fact included not just O&M, but the elimination of the redundant systems and savings for purchase of new technology, and is identified in our costing model. In addition to the $1.67 billion for operation and maintenance, the migration expenses are estimated at $46 million and $350 million for system replacement, and all of that has to be taken into consideration with the elimination—these are numbers from just 14 agencies, not the total of 25 or 21 agencies that ultimately will be affected. We believe that our cost savings could, in fact, be greater than $1.1 billion.

So we have a number of agencies migrating by September 30, which is the bulk of the dollars associated with our cost savings model. So we should recognize the savings starting in fiscal year 2005 as a result of those migrations. Long-winded for your answer.

Mr. Putnam. How many agencies are there governmentwide?

Ms. Dubbert. Executive branch, approximately 116 branch agencies, and we are focused on the executive branch. So in the executive branch, there were approximately 25 agencies performing payroll independently; 4 have been selected to continue, we have 3
that have been deferred. Those are within the intelligence community.

We have a task force that we have developed with them and have been collaborating with them on a study as to how they're going to do their business. We have one agency that has been considered exempt, that's the Federal Reserve Board; and we have one agency that's currently under consideration and we are reviewing their law, and that is the Tennessee Valley Authority.

All others within the executive branch have been slated for migration. We only have four left that have not had their migration scheduled. They are the Department of Labor, the Environmental Protection Agency, the Department of Veterans' Affairs and the Railroad Retirement Board. So we have 11 that are scheduled and well on their way for migration.

Mr. PUTNAM. So the Department of Labor, for example, they only have one payroll system?

Ms. DUBBERT. Yes. For themselves.

Mr. PUTNAM. For themselves?

Ms. DUBBERT. Yes.

Mr. PUTNAM. Is that common, that the departments would have all of their agencies on the same payroll system?

Ms. DUBBERT. No.

Mr. PUTNAM. We have had testimony that the Navy has dozens.

Ms. DUBBERT. Navy typically sources their military under the DIMHRS program. Within DOD, DOD has the the Defense Finance and Accounting Service. The DFAS entity is the entity that services the civilian population for DOD. The exception to that would be for NSA.

The Department of Treasury until just a few years ago had multiple systems; they have since consolidated. And there's one left that we are currently migrating and that's part of our numbers, and that is the Office of Thrift Supervision.

Department of Justice, there had been multiple entities within their department. The only one left not currently serviced by one of the selected four is the FBI, and they are well on their way to migration. We just have a snafu in their classification of the system.

Mr. PUTNAM. What is the deadline by which time all civilian agencies will be on the same payroll system?

Ms. DUBBERT. The targeted deadline was September 30, 2004. Until we get signed agreements with all the agencies and set their schedules in place, we won't have a full answer, but I can tell you the 11 that are in fact scheduled and well on their way, we do anticipate being able to meet the September 30, 2004, date for them. The three agencies within the intel community that have been deferred, were deferred from the September 30 date as well.

So the four agencies we're still working with, as I said, are DOL, EPA, VA and Railroad Retirement Board. If you're counting in the numbers, there's one more; and that is, believe it or not, the Panama Canal Commission. And we're still communicating with them, but they have negotiated with Panama for their payroll, so we're not quite sure how that might fit into the scheme.
Mr. Putnam. If the Panama Canal Commission and the TVA are your biggest problems, you are doing a yeoman's task. You're doing quite good work if that's your biggest problem.

Who is your biggest problem?

Ms. Dubbert. I would say there are barriers because some agencies, in fact, have different pay title authorities independent of the Office of Personnel Management's authorities. Also, there are agencies who have in the last several years implemented or purchased, and have either implemented or are implementing, integrated human resource payroll systems. And having to turn off the back half of that integrated solution for the better of the whole is what is a challenge for two of the four that I previously mentioned.

One of the other four that I mentioned not yet scheduled, certainly has some complexities because they have pay authority for medical field under Title 38, and we are still in discussions with them. And I want to say for the record that the Office of Management and Budget has been with us, working with each of these agencies, to get through any of the barriers that exist.

So it's possible we may have four agencies, those that are currently not scheduled that we will miss the September 30, 2004, date on.

Mr. Putnam. Ms. Koontz, the testimony we seem to always have is, it always come back to cultural challenges, management challenges. You've heard the status of the e-Payroll across these initiatives is adequate oversight and management taking place from OMB and OPM to ensure that the proper cooperation is taking place between all the agencies to implement these five initiatives.

Ms. Koontz. At this point, we've identified that management challenge, particularly of moving from disparate agency-unique systems to consolidated systems as being a very big challenge for the agencies, OPM, and OMB. It's really important that OPM have a good change management strategy in place, and that they communicate very well. There is also a place for OMB to make sure that duplicate systems, if need be, are not funded as they try to move toward consolidation.

Mr. Putnam. Mr. Enger, what's OPM's strategy for managing these initiatives as an integrated set?

Mr. Enger. Let me say, No. 1, that we have to date every milestone that was established in conjunction with OMB. And I would say the reason we have been able to make such progress is because we have had very, very strong backing from the Director of OPM, Kay Coles James. I report to her directly, and we have had very strong backing from OMB; and I think with that seamless backing across the board we have been able to make progress.

There is something called the Federal Enterprise Architecture, which is being developed by OMB, looking at the Federal Government as a business and what are the lines of business of the Federal Government and where are there stovepipe or redundant systems and where can you have a more efficient system and better service to the citizen with proper economy and metrics that measure your performance.

We've worked very, very closely with OMB and we have actually placed all five of our initiatives, actually including the Retirement Systems Modernization effort, within this enterprise architecture.
And this shows the civilian human capital operations, what is done in civilian and human capital operations. Where does e-Training fit in there? So within this architecture, we're getting the integration that you're asking about. It's showing us the data flows, the process flows between our initiatives and also beyond our five into the other lines of business in the Federal Government.

So from our point of view, the Federal Enterprise Architecture being promoted by OMB has been a very, very beneficial tool in architecture for us to integrate our initiatives within the human capital structure, but also within the larger Federal Government.

Mr. Putnam. Ms. Diaz, could you discuss the differences between the HR initiative and the lines of business consolidation announced by Mark Foreman that Mr. Enger referred to with respect to each agency's HR system?

Ms. Diaz. Let me just clarify the question you're asking. You're asking to clarify the difference between the new EHRIS initiative, which was one of the line-of-business initiatives and the EHRI initiative, correct?

Mr. Putnam. I think.

Ms. Diaz. And there is a difference. A lot of people get confused, one, because of the names; one is EHRIS and one is EHRI.

EHRI is the initiative that I am the project manager for, and EHRI is the key service data component for all the OPM e-Government initiatives. We are going to eliminate the need for the paper personnel folder and enable the electronic transfer of data across the government from the time the employee comes on board until the time they retire. Currently, today—I don't know if you've ever seen a personnel folder, but they follow people all over and some of them are about that thick. And if one gets lost, you have to manually recreate it. And the storage costs on those are just astronomical, and we're going to eliminate that need.

What the EHRIS initiative is about is kind of going down and looking at the transactional HR systems whereas the EHRI system is a data repository. It isn't a transactional system that processes the various business rules when you need to hire someone. For example, if you are a GS–13, Step 5, your salary can only be in this range. Those transactional systems enable you to do those types of actions and then feed the data to the payroll system.

What the EHRIS will do is look at the possibility of consolidation and elimination of redundant systems, similar to what the e-Payroll initiative will do, as well as look at standardization across the board of those systems, because as we know, we all are in the same business in the Federal Government, so there shouldn't be that many differences in systems. And that's kind of the difference between the two initiatives.

Mr. Putnam. Comment a bit, though, on the standards issue. Have we completed the establishment of a set of data standards across all agencies?

Ms. Diaz. For EHRIS we have developed a data model that will be the foundation for the electronic official employee record. With that, we've identified the data items that would need to be contained in a data—in an official employee record as well as associated standards with that.
As we begin implementation of EHRI, we will also continuously update those data standards. Currently today, we already have about the first 89 data items that are standard across the government. The official employee record will have up to about 500 data items that will be standard across the government, which will enable us to transfer that electronic data from agency to agency as well as onto the retirement system.

Mr. Putnam. So a graduate of one of our Nation’s universities, with a general business degree, who wants to work for the Federal Government, there might be seven different agencies that they are qualified for an entry-level type position. To apply for each of those seven agencies, how many applications would they fill out?

Ms. Diaz. That would be Claire’s question.

Ms. Gibbons. How many applications an individual might file, if they are aware of seven potential vacancies which they would meet the basic requirements, likely would be seven separate applications. Some of the applications may be filed on-line directly with the Federal agency posting the job. Some of the applications might be filed manually if the agency in question was using manual application processing procedures.

Mr. Putnam. There are agencies who don’t recognize on-line applications?

Ms. Gibbons. That is correct.

Mr. Putnam. Would they be limited to the intelligence community, or is there some other reason why they wouldn’t recognize that type of an entree into the government?

Ms. Gibbons. Generally it’s a matter of the individual business processes within the agency and the decisions that they have made regarding how they will do their Federal staffing and evaluate candidates. So there are some agencies that are using totally manual processes and paper-based applications. There are many agencies that have moved to automated application procedures.

But when automation is used for Federal application, the current scenario requires that a job seeker would complete a basic job application or submit the same kind of standard applicant data over and over again on multiple systems, so a job seeker who was applying to the Department of Commerce would supply his or her name, address, work history, education, skills, etc., and then also respond potentially to a set of questions specific to the vacancy being filled. That job seeker applying for a position with the U.S. Geological Survey would go through a very similar process of supplying the same biographic data to the USGS system, and they might do it each and every time they file an application.

Some systems store basic information, others do not. Through the enhancements that we’ll be making to USAJOBS and creating a single basic job application or basic initial resume, job seekers will be able to create their initial application once, store it to USAJOBS, and then have that information integrated with on-line application processing systems operating across government.

At the same time, while we will allow agencies to continue to use manual evaluation procedures if that’s what they choose to do and that’s consistent with their business processes, we will establish on-line application for 100 percent of the vacancies posted through USAJOBS so agencies, when receiving an application transferred...
to them electronically, may choose to print it off and do a manual evaluation as opposed to integrating that application with an automated system.

But we will achieve on-line application for all vacancies as well as allowing for alternate procedures if a job applicant shouldn't have access to the technology.

Mr. PUTNAM. I could understand an alternate procedure for an applicant who may not have access to the technology. I'm having a hard time understanding why the government agency would opt not to accept electronically filed resumes.

Ms. GIBBONS. I believe currently the issue is simply that agencies have not made the decision or the investment in the automation for the application processing; for the systems that would provide for the sophisticated algorithms for determining employee qualifications, determining rankings of candidates, handling the application management and work flow within the organization.

Many, many agencies are, I believe, and more will be moving toward automation in that process. They're just not all there yet. And when they have no automated system in place, the kind of fall-back position is to take an application that's received through the mail, or possibly fax as the extent of the electronics involved.

Mr. PUTNAM. How many agencies are we talking about here who would not acknowledge or receive an on-line application?

Ms. GIBBONS. We don't have a hard number for the current number of agencies that are not using automation in their application processing. Most agencies, and most of the large agencies and departments, are certainly employing automation in their application processing. Yet many of the smaller agencies have not gone to automated systems, the volume of their work isn't necessarily supportive of the investment.

Mr. PUTNAM. So the Panama Canal Commissions are the types of agencies we're talking about here? Or are we talking about the Farm Service Agency that's in every county in America? We spend all this money to build these Web sites, and then are begging people to use that because it's going to save us all this money; but then we have agencies who say, we won't accept it unless it's on blue paper in triplicate with a paper clip in the upper left-hand corner.

Ms. GIBBONS. Certainly, as we move forward with the recruitment one-stop initiative, we are going to establish procedures that will provide for on-line application for all job seekers. The job seeker will have the opportunity to create that initial application on USAJOBS and have that application filed electronically with an agency whether, ultimately, they integrate that data into an automated system or choose to do a manual review of the application received. So we will achieve the on-line application process or on-line application submission for the job seeker.

Agencies in terms of the decision of how they then process the full application and manage the work flow within their department or agency, that's still mixed. More and more are moving toward automation, and that's certainly what we are encouraging.

In terms of the agencies that we're talking about, oftentimes it is the very small agencies. It is the National Battle Monuments Commission or Pension Benefit Guaranty Corp. that haven't gone
on to a fully automated solution. In the larger departments and agencies, certainly most are using automated application processing. Those that haven’t adopted it yet are in the process of making system evaluations and decisions.

Mr. PUTNAM. The E-Clearance issue, Mr. White, there’ve been a number of congressional hearings and an awful lot of work done on the backup of clearances. Where are we now in the number of clearances that are pending and what types of improvements have been made in that?

Mr. WHITE. I don’t have the number in terms of how many clearances are presently backlogged. I can tell you a little bit about how e-Clearance, as an initiative, expedites the processing in terms of shortening the latency of providing the information on the front end from the applicant via the e-QIP process and providing that information to the investigation teams that begin an investigation, as well as—another aspect of our initiative expedites the verification process of who’s cleared and who isn’t.

In terms of how many applications or how many investigations are presently backlogged, I don’t have that information.

Mr. PUTNAM. Go into some detail of how your initiative is going to save us time and money.

Mr. WHITE. Well, specifically, the clearance verification system is a module of e-Clearance that allows for a guard at a gate to let someone into a building or to quickly arrange a meeting that before had to be stalled a number of hours to verify that the right people were in the room and everyone could partake in the information rather than having someone stand outside the door. That, of course, involves more people and provides a latent period for which individuals can be briefed at a later date and time, which slows up government processes. That, of course, is an intangible.

In terms of the e-QIP process, the collection of information for all employees that undergo an investigation, this brings to life a whole functional process of gathering information from the applicant rapidly, immediately making that information available to those investigation teams, providing a portable medium where they can then forward that information to the individuals that might be responsible for the adjudication process. The portability of this information via this Web portal, if you will, negates couriers, courier charges and a number of tangible and intangible aspects involved in investigations, processing and adjudication.

Mr. PUTNAM. As well as the repetitive application process when you change jobs.

Mr. WHITE. Clearly, individuals who have a clearance periodically are rereviewed and that information is collected again and again the old way. With the new system, that information can automatically be propagated in front of them and they can handle the changes to the information as they see fit.

Mr. PUTNAM. Ms. Diaz, is that the type of information that would be integrated with your program, as well, so that it is portable, it is interoperable, it is compatible?

Ms. DIAZ. Yes. We will receive a limited subset of data from the e-Clearance system to allow an employee to be placed in a variety of positions. We do not anticipate getting all of the data that would
be in the e-Clearance system because our intent is not to make our system a classified system.

Generally, when someone transfers from one position to another you want to reassign them, you just need a limited set of data. So we are going to be receiving that data from the e-Clearance system, as well as when someone transfers or retires from other positions, we will send them a note or send them something in the system so that they know they can go back and check and make sure the security clearances are either terminated or they’re transferred, as appropriate.

Mr. Putnam. You’ll send them an e-mail, not a note?

Ms. Diaz. It’s going to be an interface.

Mr. Enger.

Mr. Enger. Can I add something here?

What we have done essentially with e-Clearance is taken a paper-based system and made it electronic. For example, one of our great achievements I think was the clearance verification system where, for the first time, we established at OPM the information about all civilian sector clearances in one place, and we linked that in January to the DOD system, Joint Personnel Adjudication System. So now an investigator can put a name in and for the first time ever in American history, it will go across the entire civil sector data base and DOD and give the background as to, was this person cleared before, who granted the clearance, where is the investigation information and so on.

So for the first time we’ve established a system that gives the investigator or the proper official access to all of the active clearances in the Federal sector. That’s one big step.

The e-QIP that Mark White mentioned, we moved that cumbersome form that people hate from paper to electronics. When that form is filled out, it will go electronically to the agency and then it will go electronically to the investigative agency that does the background information. Right there you have saved at least 7 days per clearance process. You are speeding up the whole effort to do a background investigation and a clearance.

Where there is still a difficulty, because you mentioned the backlog issue, we can be as electronic as we want, which is a great step forward, but one of the barriers to the clearance process right now is the agency adjudication. When the investigator does the investigation and returns that report to the agency, somebody in the agency has to adjudicate, has to decide whether or not to grant that person a clearance.

At that point there is a place of bottleneck, because it requires an individual, a person, to sit down and look at that report and decide yes or no, this person will or will not get a clearance. And there’s a shortage of adjudicators, and that becomes a choke point and that becomes a point whereby you buildup a backlog in terms of clearance processing. And I think that’s something of note, that they are trying to improve the process. You have a manual step in there that really is beyond our control at this point in time.

Mr. Putnam. Fair point.

Ms. Gibbons, one of the criticisms we hear from people who apply for jobs in the Federal Government is a general lack of feedback.
They're not told if the resume was considered, rejected, or even if the position was filled.

Does the new initiative deal with that criticism?

Ms. GIBBONS. It certainly does. The new initiative does address that issue very, very specifically.

The enhancements we're making to USAJOBS will provide for job seekers to receive real-time status feedback regarding where they stand in the employment consideration process. Again, through integration with automated application processing systems that are running in Federal agencies or key entry into the USAJOBS system, agencies will feed to a consolidated applicant profile segment on USAJOBS status tracking information that will provide job seekers with information on key milestones in the employment consideration process, such as initial receipt of their application, initial determination of qualifications, whether or not a candidate has been referred to a hiring official for interview and further consideration; and then the subsequent disposition of the hiring action, i.e., someone has been selected or the position has not been filled for whatever reason.

Mr. PUTNAM. There has also been a criticism that the site is biased toward recent graduates, which is the example I used earlier, or outside hires, with not enough consideration given to current employees looking for internal promotional opportunities.

Would you like to address that concern as well?

Ms. GIBBONS. The USA Jobs data base and the information disseminated by OPM governmentwide on vacancies very clearly covers external opportunities or those jobs that are open to new job seekers, persons not in the Federal Government. But also we have an equal responsibility for disseminating the internal vacancy information for transfer or promotional opportunities for Federal employees, and we've certainly tried to balance the needs of both the non-Federal job seeker as well as those within the work force.

We have heard some of the feedback from those in the Federal work force on our redesign effort within USAJOBS, that they think that the system is not as user friendly to their interests. Specifically, we have feedback from current Federal employees who would like to be able to search more readily on grade or salary parameters of jobs, as well as groupings of jobs vice individual job series or keyword searching.

We do have an enhancement plan that we have developed and will be implementing over the next several weeks that I think will address some of those concerns by providing more readily obvious salary searching to current Federal employees, as well as consolidation of jobs, some streamlining and geographic searching, etc.

We have received a great deal of feedback since we launched on the new platform. We are always striving to make sure that the system equally meets the needs of the non-Federal job seeker, as well as those within the current work force, and seeking to implement changes based on the feedback received.

Mr. PUTNAM. A number of these interfaces that almost all of you have referred to, I would assume, rely upon the interoperability of each agency's current system. And so my question would be, do they have the interoperable capacity right now in each of these agencies to do all of the things that OPM wants them to be able
to do in each of these initiative areas, or are they going to have to upgrade their own legacy systems or stovepipes to be able to have this seamless interface?

Ms. Gibbons. Within my particular initiative, within the USAJOBS system and the interfaces that we are establishing with Federal agencies, we are building on XML data exchange standards that will provide for the interoperability; and we are not aware of any significant barriers to agencies within the systems that they either run on their own or the vendor-supplied systems that they utilize, that they will not be able to successfully create the interchange.

Ms. Diaz. We’re also using XML, and for those agencies that may not be able to at this point handle the XML, we are working with them to accept basically a flat file exchange of data as an interim step.

Mr. Putnam. Mr. Enger, when we created the Department of Homeland Security, there was a great deal of concern about the merging of different salary structures, different schedules, different payroll systems, different training systems, a lot of the same things we’re here to talk about today.

How far along are we in that effort, as it reflects a bit of a microcosm for what you’re trying to do governmentwide?

Mr. Enger. Well, there is a DHS, Homeland Security, HR committee which is approximately 7 or 8 months old, which is comprised of the major entities in DHS—INS, Customs, Coast Guard, etc.—and that committee meets on a weekly basis, typically. I also am on that committee to represent the OPM e-Gov initiatives.

DHS is heavily engaged, for example, in e-Payroll. DHS has worked very closely with my project manager here and, in effect, they will be processing payroll for DHS in accordance with the goal and vision of e-Payroll.

Separately—separately, I mentioned earlier in my testimony that we’re going to be bringing up on September 30, this month, the EHRI repository. They have been heavily involved with us on that; and they’re looking forward to having access to information about DHS personnel that will be available come October 1 of this year to help them do workforce analysis, planning, looking at the skills they have and other types of demographic information.

They’re also dealing with the e-Training initiative. Mike Fitzgerald has been dealing with DHS on e-Training. To the best of my knowledge—and also going beyond that, I mentioned earlier the Federal Enterprise Architecture, they’re heavily involved with OPM, dealing with and looking at what is the architecture that’s being built and how it should be built relative to human capital.

From my point of view, we have had an extremely close and very beneficial relationship with DHS that’s ongoing. Of all the agencies, I would say that DHS has shown really strong commitment to e-Government and they want to use all the benefits that are possible relative to what is being done by e-Government.

Mr. Putnam. In panel one’s testimony, Director James referred to some outstanding numbers on Web site traffic and interest generated by these new sites, particularly on USAJOBS. Does that mean we’re filling positions more quickly and finding qualified applicants in a shorter time than we have in the past?
Ms. GIBBONS. We certainly are providing improved tools that will help us to speed up the time to hire through increased awareness of Federal job opportunities and more diverse candidates coming to USAJOBS, including candidates with different skill sets, and then eventually improved application procedures. Certainly we do believe that we will decrease the time to hire. It's not something that we are achieving today through USAJOBS.

Another new functionality that we have within USAJOBS that will also be a contributor to decreases in time to hire is the tool available on the system that will provide for candidate data mining for those job seekers that consent to make their application, their resume, available for Federal recruiters and managers to see. Agencies can take advantage of the resume database as a sourcing tool to identify candidates that can then be invited to participate in the employment consideration process, potentially saving agencies weeks that they might have spent in placing advertisements or attending other kind of recruitment or outreach events.

So, yes, we believe that time to hire will be decreased as a result of the services we are offering.

Mr. PUTNAM. So someone who enters the site with the intent of applying for a job with the Department of Homeland Security, if they consent to have their information shared, they might receive notification at some period in the future later saying, your skill set makes uniquely qualified for a job with a totally different department, who had mined that person's information for a particular vacancy; is that what you're saying?

Ms. GIBBONS. That's correct. When job seekers come into USAJOBS, they have the opportunity to conduct job searches solely. They can come into the system and use the job search functionality to identify vacancies and choose to create a profile so they can be notified by e-mail of jobs that match their skills and interests.

Job seekers can create and store a resume within a database and in fact, they can store up to five versions of a resume so they can have resumes customized to particular job types that might match a particular skill set that the individual has.

When a job seeker creates a resume and stores it within USAJOBS, the job seeker can have that resume remain in the system available only for his or her use to actively apply against a vacancy that they've located within the database, or job seekers may also choose to make their resume searchable. When a resume is made searchable, a Federal agency can use mining tools and search on degrees, locations, particular skill sets via keyword searching, etc.; and then upon identifying candidates that appear to be solid matches for jobs to be filled, the agency would then invite the candidate to apply for an active vacancy.

So a job seeker may very well receive an e-mail or a telephone call saying, We've got a particular job open; you appear to possess the requisite qualifications, and we would like you to consider going through the application process.

Mr. PUTNAM. Will you be able to document whether you're improving the diversity of applicants through the Web site and whether you're reaching certain target groups, either by skill set or by education or other factors that previously had not been reached
or had not been reached at the same levels that this new portal offers you that opportunity for?

Ms. GIBBONS. Within USAJOBS and the applications that we collect, we do not collect race and national origin data on candidates. Federal agencies are responsible for reporting out individually on their hires and on the diversity of the hires within the organization. So we would not be able to draw a direct correlation between a change in diversity of the Federal work force and necessarily what we're doing within the USAJOBS system.

It is certainly something that, as a government, we have considered and we've looked at. Do we have opportunities to be able to potentially make the data collection for this kind of information easier so that we can, in fact, have then the reporting tools that will allow us to measure our success?

Mr. PUTNAM. So you have considered that, but that is not part of the data collected from USAJOBS site?

Ms. GIBBONS. Currently it is not.

Mr. PUTNAM. Mr. Fitzgerald, could you elaborate, please, on how the E-Training system effectively brings a common training approach to agencies that almost certainly need individual customized training needs. Explain, if you would, how it allows individual agencies to set their own training priorities versus the areas of training that your initiative offers.

Mr. FITZGERALD. Agencies still—it really comes down to truly where they post the content they create. Agencies have all the discretion to create, using vendors of their choice, custom content that meets their mission-critical types of competency and skill development needs. All we're doing is simply hosting it. We do have a contract vehicle arrangement within OPM, our Training Management Assistance office. So if agencies come to us and say, you know, Mike, we want to use OPM's contractors to do custom courseware development, we simply direct them to TMA.

Our initiative, the GoLearn initiative, is simply to host it. Really for agencies other than their commercially off-the-shelf courseware that's out there already. They have all the discretion to create custom content. Many of our back-end capabilities provide them, authoring tools so they can create on-the-fly custom content to meet their needs.

So that's something that's been, I think—in the communication across agencies, it's been miscommunicated or just misunderstood that, yeah, they can really in the proverbial, “have their cake and eat it too.” It just comes down to hosting it.

Mr. PUTNAM. What level of participation do you have in this program? How many agencies have utilized e-Training?

Mr. FITZGERALD. We have 31 agencies that are hosted on a common platform. We also have 10 more entities of agencies, which may be subgroups of an entire agency, that are on the GoLearn platform. We have approximately 27 agencies scheduled for migration in fiscal year 2004, which is aggressive because many of them are enterprise, for example, the Department of Veterans' Affairs. So you're talking about many components migrating to a common solution.

And then in fiscal year 2005 there are 13 additional agencies. If you use Ms. Dubbert's numbers, then we are approximately—over
two-thirds of agencies beyond will be on a common e-Learning platform at that point.

Mr. PUTNAM. In the past, a lot of this has been handled by the Department of Transportation; is that correct?

Mr. FITZGERALD. We use their contracting vehicle, STATUS contracting vehicle. But they did have—one of the things that kind of goes under the radar screen in e-Government is, the economy is a know-how. They have staff that were technical folks that had a great deal of experience in the learning industry, understanding the technical side. We at OPM understood many of these strategic human capital development needs, and it was a relationship that really worked well because we took their technical expertise in e-Learning and—using an existing contract vehicle that was created through a full and open competition, and we leveraged that to really move quickly to implement this initiative.

Mr. PUTNAM. What are your anticipated savings from E-Training?

Mr. FITZGERALD. $784 million over the 10-year life cycle.

Mr. PUTNAM. It’s real money, even in Washington.

Ms. GIBBONS. USAJOBS allows job seekers to go in and to enter information regarding the job search parameters that he or she is interested in. So job seekers can go in and enter keywords. If a person is in the environmental area, they might enter “groundwater conservation.” A person can enter a geographic area where they’re seeking employment or, a salary parameter that would match the kind of job they want, and then the individual would receive a listing of the active vacancies in the data base that match the search parameters.

Mr. PUTNAM. How much of this is on-line now?

I apologize, I probably should have gone on-line before we had this hearing. But how much of this is on-line now if I were to go fire it up after this hearing?

Ms. GIBBONS. What I just described to you, it is fully functional right now. The Web site is usajobs.opm.gov.

We have an active jobs data base that ranges from a high of 15,800, 900 to slightly over 16,000 jobs on any given day. The jobs are updated throughout the day, so our data base numbers change continuously.

Job seekers can go in, run job searching, create resumes, utilize the e-mail search agent notification process. Federal agencies can utilize the system for the posting of their vacancies and for the resume mining.

Our future enhancements include the “Create Once-Use Many” initial application process that will be integrated with Federal agency applicant processing systems, as well as the complete movement of the status tracking information. And we will be phasing in agencies to utilize those sophisticated functionalities beginning this fall and going into mid-summer of next year.
Mr. Putnam. Let me ask GAO, Ms. Koontz, did you analyze how effectively—on all of our e-Gov initiatives, how effectively is the Federal Government getting the word out about their existence?

Ms. Koontz. That isn’t something specifically we have looked at yet. You’re talking about the existence of these particular e-Government initiatives?

Mr. Putnam. Sure.

Ms. Koontz. That’s not something we’ve looked at yet.

Mr. Putnam. Is there any marketing done, Mr. Enger?

Mr. Enger. No. 1, whenever we have a milestone—for example, this month we have the repository—we have a media event. We invite the press; we send out letters to the agency heads to let them know about this. That’s happened from the very beginning. We try to spread the word that something’s happening with e-Government.

Second, we make presentations to the Quad Council and other parts of the Federal Government to tell them what we are doing and how it is benefiting them. Each of the managers here has a working group of partner agencies that meets on a periodic basis, and they spread the word about what they’re doing, what the plans are. They get feedback. I personally have gone out and met with the HR directors, explaining what we’re doing, asking them to discuss this with me and asking for their feedback.

So we at OPM have had very much of an outreach process whereby we have reached out and tried very hard to spread the word as to what e-Gov is all about and why it benefits all the agencies.

The word that Mark Foreman used is “transformational.” What he perceived is, we are not doing a Band-Aid change to e-Government. We want to transform the way government operates in a positive, beneficial way. And that has been the motive and the driving force as far as I’m concerned. All of these initiatives have transformed the recruitment process, e-Training, the clearance process. They really are changing how the government operates to make it a better and more efficient and more responsive government.

Mr. Putnam. Very exciting, and that’s a perfect segue, and I would like to ask each of our five program managers to comment on whatever issue relative to your initiative that we have not asked you about that you think is important to go into the record.

What have we not asked you that you think is important to share with the subcommittee? This is your last shot.

Ms. Diaz. I just think it’s important to know that the Enterprise HR integration project is the key data service component for all the e-Gov initiatives at OPM, as well as the interlocking enabler to be able to transfer data from agencies—from the HR systems to the payroll systems, from e-Training to retirement to e-Clearance. And it’s really an integral part of all the initiatives.

And I just think that—in the long term that it’s going to enable human capital management. It’s going to enable us to do things that we haven’t been able to do in the past, even—for example, our oversight agencies are going to have data available to them for workforce analysis, planning for their studies and reports that they currently don’t have today. And it’s going to be available on
a more frequent basis than what they can get data available now today.

We get data quarterly from agencies. Tomorrow with EHRI, we'll get data on a biweekly basis. So the data will be good data so we can make good business decisions. That's it.

Mr. PUTNAM. Ms. Dubbert.

Ms. DUBBERT. Thank you for the opportunity. I think first and foremost, I just want to make a statement that this is not a department or an agency initiative. It is a governmentwide initiative, and the barriers that we have talked about, whether it be, I want to keep it myself, cultural or just because—it is all just resistance to change.

We need to educate everyone within the Federal Government that it is a Federal Government activity, and the Federal Government is one. And that's what the taxpayers and the citizens look at us as, as one. They don't look at us as the Department of Transportation or the Department of Treasury; they simply say, the Federal Government.

So what we're doing, in fact, is trying to not just change the way we do our business, but set data standards in an architecture that will be common for the Federal Government as a whole. That is a significant challenge in and of itself.

So each of the initiatives, although it may sound as if we are stovepiped ourselves, we are not. We internally are working through the enterprise architecture activity that OMB has established for the government at large and looking at it internally how, in fact, the human resource or human capital enterprise architecture needs to be established, because we're connected from the applicant to the training to the repository to paying individuals.

So our challenge, going forward, is reminding individuals within agencies, we are doing this on behalf of the Federal Government and we need to set the data standards so we have more common information and it's retained, stored and managed the same way. After September 11, I think it's evident that we need to readily access information, and that is the gist of what we're attempting to do: set the standards, set the architecture and the systems so we can readily access and provide information.

Ms. GIBBONS. Thank you very much for the opportunity to speak.

The Federal Government has enormous human capital challenges before us, and one of the areas where we face a significant challenge is certainly recruitment. I think we're all aware that the Federal Government could face unprecedented numbers of retirements over the next 5 to 10 years, with some estimates saying that nearly 50 percent of the work force will be retirement eligible during that period.

Director James’s commitments to meeting those human capital challenges and to fixing the Federal hiring process are clear, and we think Recruitment One-Stop and the enhancements we are making to USAJOBS are certainly key toward achieving those goals and truly making the Federal Government an employer of choice.

I think that's really the key driving factor behind what we're doing, to be sure that the Federal Government can compete effectively for top talent in the marketplace. And by making significant
improvements, by transforming USAJOBS, by transforming the way the Federal Government conducts its on-line recruitment and making those changes in a job seeker-focused manner, as a Federal Government we are also serving ourselves and providing ourselves with the services—laying the foundation for the government—to be able to meet those significant recruitment challenges going forward.

Mr. FITZGERALD. I appreciate the opportunity to say a few words, if you give me the liberty to say two points.

One of the things that I think is important about the e-Training initiative is that the old paradigm—there were actually a couple of paradigms, one relating to training in general and one relating to e-Learning; the old paradigm was, you're either working or learning in government. You weren't doing both. And what we are doing by expediting these tools to the desktop is providing an opportunity to have on-demand solutions to common problems, desktop problems, EXCEL spreadsheets, that people would leapfrog from cubicle to cubicle, asking people to get answers.

What we're doing is actually blending your working and learning, which is really—I believe is—we are going to see much more of a magnitude of improvement and efficiency in training dollars being used that way.

Second, the old paradigm of e-Learning is, if I just paid enough money and got enough content, everybody would flock to it. And the current state of affairs is typically, the industry reports about a 20 percent or less utilization rate. So the dollars aren't being used very effectively if your return on investment goes down significantly—if you only have 20 percent usage.

One of the things that I think is really changing the face of what we're doing with the initiative and changing the face of the industry is the implementation of the IT Workforce Development Roadmap, which was a partnership with the Federal CIO Council, where we have actually taken the career paths of the 2210 series and the 10 parenthetical titles, mapped those out and aligned competencies and efficiency levels at each level. That's a good start.

It's a marriage that we've done, where you actually do a skill assessment, and if you have skill gaps, you have online content available right at your fingerprints to address those skill gaps. That paradigm shift is going to change the way e-Learning is implemented in agencies and that you just hope people go to a more strategic look at where are your core critical competencies, where are your skill gaps, and how do you address those and resource those. I think it's going to provide a stronger tool for leadership to feel better about their investment in these activities, because they can start to see over a continuum a development of their human capital.

The second thing I wanted to say, there has been a lot of industry buzz around the e-Training initiative and the use of the STATUS contract. We have recognized that contract was awarded several years ago, and we are in the throes, the process, of announcing a GoLearn-specific IDIQ here soon, which will give an opportunity for e-Learning vendors, whether it be courseware providers or learning management system providers, to compete again to get on the e-Training initiative contract vehicle.
Mr. PUTNAM. Mr. White, you have been on the job a week and you have already been called to Congress to testify under oath. Been a tough week.

Mr. WHITE. It has, in addition to Isabel.

The e-Clearance initiative has brought together a new dialog across the investigating agencies. And as a result of this dialog, the standards and specifications are occurring across these various agencies. And what is happening here is, they look and they recognize that they need to share information.

Our new imaging module provides a vehicle for which all of these agencies have to develop a common taxonomy, a common standard of how the investigation process needs to be referenced, how documents are cataloged; and it has brought together a focus on tackling some of the tough issues that stand in the way of slower processing of clearances, for example.

E-clearance has gained quite a bit of momentum in tackling the e-QIP form and establishing the repository of information to quickly verify clearance information. Bringing together and satisfying the Government Paperwork Elimination Act with the imaging module has brought about quite a bit of improvement and gained quite a bit of recognition. We only look for further enhancements in terms of establishing perhaps a communication network where these various agencies can collaborate even more effectively to reduce the backlog of investigations.

Mr. PUTNAM. Well, thank you all very much. I appreciate your enthusiasm for what you do, and I can only say it’s a poor frog that won’t croak in his own pond, so I wanted to give you the opportunity to tell the world about what you’re doing. It is transformation. It is a tremendous challenge. You are going to face a lot of resistance, but it’s going to be worth the effort. And you need to have Mr. Enger here buy you lunch.

So, with that, I want to thank all of our witnesses for your participation.

In the event that we were unable to get to questions—I can’t imagine that there’s any questions that we didn’t get to after this hearing—but in the event that there are questions that we were unable to get to, the record will remain open for 2 weeks, and we would ask that you submit those in writing.

With that, the subcommittee is adjourned.

[Whereupon, at 12:05 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]
The Honorable Adam Putnam  
Chairman, Subcommittee on Technology, Information Policy,  
Intergovernmental Relations, and the Census  
Committee on Government Reform  
U.S. House of Representatives  
B-349A Rayburn House Office Building  
Washington, DC  20515

Dear Mr. Chairman:

Thank you for the opportunity to testify on OPM's e-Gov initiatives before the  
Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census. As I testified, OPM’s five e-Gov initiatives were designed to provide government-wide benefits and savings to the American taxpayer as a key part of the President’s Management Agenda.

In response to the General Accounting Office’s testimony, we have provided them with the enclosed additional information about how we arrived at our savings estimates for our e-Gov initiatives and how we plan to track actual savings for each of the projects.

I appreciate your interest in OPM’s e-Government projects. Please let me know if I can be of further assistance.

Sincerely,

Kay Coles James  
Director

Enclosure
# RECRUITMENT ONE-STOP

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<th>$365M</th>
<th>Lifecycle:</th>
<th>10 Years</th>
<th>Period:</th>
<th>FY03 to FY12</th>
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### Key Assumptions

1. **Efficiency Gain** -- reduced costs for mailing hard copy applications and responses; reduced HR staff time involved in processing paper applications; reduced HR staff time engaged in candidate sourcing activities; reduced HR staff time involved in mailing and responding to calls; reduced IT staff time devoted to job search and resume builder applications -- assumes 1,000,000 applications filed per year and 25% decrease in HR/IT staff time devoted to inquiry response, paper application handling, candidate sourcing, and IT support.

2. **Cost Reduction for Agency job search engine purchase and development** -- assumes modest software purchase and/or development costs of $15,000 per agency or organizational sub-component for a total of 130 entities.

3. **Cost Reduction in Governmentwide Cost per Hire** -- assumes 100,000 hires per year; increased use of automation in applicant evaluation; improved tools; economies of scale in pricing through negotiation of Governmentwide enterprise pricing; streamlined hiring processes.

### Main Criteria for Tax Savings

- Savings in cost per hire
- Efficiency gains

### Component Parts of Tax Savings

1. **Efficiency Gain of $85.6M** -- reduced costs for mailing hard copy announcements; reduced HR staff time involved in mailing and responding to calls; reduced IT staff time devoted to job search and resume builder applications.

2. **Cost Reduction for Agency job search engine purchase and development of $1.9M**.

3. **Cost Reduction in Governmentwide Cost per Hire of $277.6M**.

### Actual or Future Savings Measurement

No quantitative benefits have been measured in FY03. In FY04, OPM will validate the baselines established in the cost per hire metric and develop an on-going process for tracking improvement to the baseline.
## Recruitment One-Stop

**Annual Savings / Cost Avoidance Calculation**

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Net Present Value: **$28,131,619.89**
### e-CLEARANCE

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#### Key Assumptions

- **Reciprocity**: This captures the benefits agencies gained by leveraging the investigative data completed by other agencies. Currently, when people transfer to other agencies, a reinvestigation often occurs since the receiving agency does not have access to the clearance statuses or investigative records of the originating agency. Based on OPM’s 2002 estimates, approximately 224,000 clearances are conducted annually by OPM. Of this estimate, 26 percent are for Top Secret (TS) investigations, of which 42 percent are expected for reinvestigation, and of that estimate only 5 percent are required as part of interagency transfers; therefore, approximately 1,223 TS investigations are required as part of interagency transfers. An assumption was also made that a TS investigation costs $1,740, which would make this potential savings $2,128,090 for the TS portion of investigations. As for the Secret Clearances (SC), 74 percent of 224,000 investigations are conducted by OPM and of that estimate, 35 percent are reinvestigations, of which 5 percent result from interagency transfers; therefore approximately 2,901 S/C investigations result from interagency transfers. An assumption was also made that an S/C investigation costs $132, thus making this annual benefit $382,906. Based on the assumptions associated with TS and S/C investigations, the total annual Reciprocity benefits could realize potential savings of $2,510,995. Please note that this benefit can be incrementally achieved to reach its full potential by FY05; therefore only 24 percent of $2,510,995 was projected in FY03, 50 percent in FY04 and 100 percent in FY05.

- **Data Collection**: Data collection includes those benefits expected through efficiency gains associated with the clearance request collection and validation process. The investigative data collection process includes the time required to verify that security forms are completed thoroughly and accurately. Furthermore, this process includes the time required to key the information into the case management system for investigation and adjudication. This benefit amount was calculated by using the following assumptions. OPM currently handles 224,000 investigations annually and 26 percent of those are TS investigations and 74 percent are S/C investigations. Additionally, the average cost of a TS Investigation is $1,723 and an S/C Investigation is $132, which equates to $101,337,600 being spent on TS investigations and $21,880,320 being spent on S/C investigations. It was assumed that a one (1) percent reduction in the...
e-CLEARANCE

- Cost of processing a TS application and a ten (10) percent reduction in the cost of processing an S/C application would occur, which would yield a $1,013,376 and a $2,188,032 benefit respectively, thus totally $3,201,408. Note: this benefit was projected to be incrementally achieved to reach its full potential by FY05; therefore only 12.5 percent of $3,201,408 was projected in FY03, 66.7 percent in FY04 and 100 percent in FY05.

- Parcel Savings from Electronic File Routing: This category refers to the reduction in mailing costs that arise due to being able to electronically route investigative files rather than using a mail delivery service. This benefit is possible because of the imaged investigative files and the security portal. Assuming that there are 64,000 annual requests of OPM to send investigative files, it was further assumed that 80 percent of those requests are sent via regular mail, 15 percent through a private carrier, and 5 percent sent via a courier, which cost $2.00, $8.00, and $20.00 respectively. This equates to an $185,600 savings that OPM could be realize by electronically routing investigative files. Note: this benefit was projected to be incrementally achieved to reach its full potential by FY05; therefore only 16.5 percent of $185,600 was projected in FY03, 66.7 percent in FY04 and 100 percent in FY05.

- Efficiency Gain from Electronic File Routing: This benefit results from the improved efficiency realized through the imaged investigative file request and delivery functionality. Less time would be utilized in trying to locate the appropriate individual from whom to request an investigative file and waiting for the investigating agency to return the file electronically since this function will be automated. This benefit is possible because of the imaged investigative files and the security portal. Assuming that there are 64,000 investigative file request of OPM annually and that an individual with an annual burdened salary of $49,686 (based on the 2003 GS rate schedule, the annual salary of a GS-7 Step 5 including 32.85 percent for benefits and 12 percent for overhead) would save 45 minutes per request, the annual potential benefit would be $1,146,603. Note: this benefit was projected to be incrementally achieved to reach its full potential by FY05; therefore only 16.5 percent of $1,146,603 was projected in FY03, 66.7 percent in FY04 and 100 percent in FY05.

- In addition to the Opportunity Savings described above, OPM was also projected to save in the area of systems operation and maintenance. OPM could achieve cost savings from operating in the Current Plan versus the status quo. This cost savings over the lifecycle would be approximately $29 million from FY03 through
### e-CLEARANCE

<table>
<thead>
<tr>
<th>FY12.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Criteria for Tax Savings</strong></td>
</tr>
<tr>
<td>Even though the calculated savings per clearance are based on OPM-related data, the maximum benefit will be achieved when e-Clearance is implemented Government-wide. While the OPM total benefits amount to $84 million over the lifecycle (based on 224,000 clearances per annum), the Government-wide benefits for the estimated 700,000 annual clearances would generate savings of about $260 million over the lifecycle.</td>
</tr>
<tr>
<td><strong>Component Parts of Tax Savings</strong></td>
</tr>
<tr>
<td>As described above, the quantitative benefits expected to result from implementation of the Current Plan primarily center on opportunity savings, which comprises reciprocity benefits, data collection benefits, parcel savings, efficiency gains from the imaged investigative file request/delivery functionality, and operations and maintenance savings.</td>
</tr>
<tr>
<td><strong>Actual or Future Savings Measurement</strong></td>
</tr>
<tr>
<td>Based on the assumptions described above, it is estimated that e-Clearance realized a total of $5.4 million in savings in FY03. In FY04, the initiative will develop a reliable mechanism to measure and track actual savings resulting from the e-Clearance implementation.</td>
</tr>
<tr>
<td>Year</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>2023</td>
</tr>
<tr>
<td>2024</td>
</tr>
<tr>
<td>2025</td>
</tr>
</tbody>
</table>

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**Graph:**
- **X-axis:** Fiscal Year (2020-2030)
- **Y-axis:** Total Cost/Net Benefit ($0,000)

- **Legend:**
  - **Project Value Cost**
  - **Present Value Benefits**

---

**Note:**
- Benefit calculations may vary based on fiscal year.
## e-TRAINING

<table>
<thead>
<tr>
<th>Total Tax Savings:</th>
<th>$784M</th>
<th>Lifecycle:</th>
<th>10 Years</th>
<th>Period:</th>
<th>FY03 to FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Assumptions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Growth rates and other key variables applied against the operating year July 2002 to July 2003 for subsequent lifecycle years.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Main Criteria for Tax Savings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Tuition cost avoidance</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Savings from compressed learning time</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Travel cost avoidance</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Redundant program and project planning costs, and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Reduced course licensing and LMS fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component Parts of Tax Savings</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Tuition cost avoidance results from GoLearn users substituting less expensive online courses for traditional instructor-led courses. To demonstrate this cost avoidance, half of the courses completed on GoLearn systems between July 2002 and July 2003 (half of 52,009) are assumed to substitute for instructor-lead courses. Conservative tuition cost estimates for instructor-led courses and online courses are $60 and $30 respectively. Based on these assumptions and the actual figure of 52,009 courses completed, the estimated tuition cost savings during this operating period was $780,135.</td>
<td></td>
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</tr>
<tr>
<td>• Savings from compressed learning time is derived from salary savings when the staff uses online learning instead of instructor-led learning. Online courses generally require only two-thirds the amount of time as content-equivalent instructor-led courses. To demonstrate this cost savings, it is again assumed that half of the courses completed on GoLearn systems between July 2002 and July 2003 (half of 52,009) substituted for instructor-lead courses. To capture the time compression, an average instructor-led course is estimated to require 8 hours and an equivalent online course is estimated to require only 6 hours. It is estimated that, based on an average GS 5 to GS 13 hourly salary of $23, the 52,009 GoLearn courses actually completed during the operating period resulted in an estimated savings from compressed learning time of $1,196,492.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Travel cost avoidance results from employees substituting online training available anywhere for out-of-town instructor-led courses. To demonstrate this cost savings, it is again assumed that half of the courses completed on GoLearn systems between July 2002 and July 2003 (half of 52,009) substitute instructor-lead courses. It is also assumed that half of these substitutions are for out-of-town courses</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>e-TRAINING</strong></td>
<td></td>
<td></td>
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<tr>
<td>----------------</td>
<td></td>
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</tr>
<tr>
<td>(thus, one quarter of the online courses provided travel cost avoidance benefits). It is estimated that, by conservatively estimating average travel costs of $35, the 52,009 GoLearn courses completed resulted in $455,079 travel cost avoidance during the July 2003 to July 2003 operating period.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>•</strong> Through the e-Training initiative, agencies would achieve efficiencies through avoidance of cost related to establishing individual web-based learning programs. Specifically this concept is based on the avoidance of agencies in having to individually invest in program planning work-streams, which includes project planning and requirements analysis, acquisition strategy development and Request for Proposal (RFP) support, Vendor and Market Analysis, and change management and customer outreach. It is estimated that each agency would incur an average of $600,000 for conducting these work streams in order to establish a similar e-Training program. It is important to note that the program planning cost avoidance is separate from the cost avoidance of each agency's need to technically develop and augment individual e-Training sites. The cost avoidance of individual agencies (assumed a total of 11 agencies at $600,000 each) not expending investment resources to deliver their own web-based learning services and capabilities is estimated around $6.6 million in FY03.</td>
<td></td>
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</tr>
<tr>
<td><strong>•</strong> There are significant redundancies in e-Training related course licensing and LMS infrastructure fees being paid for by the Federal Government. This initiative would permit the government to design and deploy educational content at a cost never before possible through consolidated procurement of course licenses and utilization of a standardized and shared LMS infrastructure. A $150,000 investment is needed, based on surveys of current market pricing, for an average size agency (assumed to be 6,300 employees) to individually acquire and set up its own online training system. This cost includes LMS setup costs for customization, a custom storefront, and individual development programs. An average size agency (assumed to be 6,300 employees) would require a yearly LMS licensing fee of $22.50 per employee for maintenance, hosting, bandwidth, and customer support. The efficiencies gained from the consolidation projects to approximately $5.3 million in FY03.</td>
<td></td>
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</tr>
<tr>
<td>➢ The savings achieved by eliminating these redundancies were calculated as follows:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>➢ Setup cost for agency to build customized site independently = $150K;</td>
<td></td>
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</tr>
<tr>
<td>➢ Setup cost per agency to use GoLearn.gov site = $34K;</td>
<td></td>
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</tr>
</tbody>
</table>
e-TRAINING

- Setup savings = $116K;
- Number of agencies in FY03 using GoLearn.gov rather than building independently = 15;
- So FY03 setup cost avoidance for them = $1.7M.

- Setup cost for agency to build customized site independently = $150K;
- Setup cost per agency to build customized site through GoLearn = $109K;
- Setup savings = $41K;
- Number of agencies in FY03 using customized site through GoLearn = 5;
- So FY03 setup cost avoidance for them = $0.2M.

- O&M cost for agency to maintain customized site independently = $383K (based on historical private industry cost data for average large and small libraries combined with site licenses for the agency size requirements in the OPM partner projections);
- O&M cost per agency to use GoLearn.gov site = $256K;
- O&M savings = $147K;
- Number of agencies in FY03 using customized site through GoLearn = 15;
- So FY03 O&M cost avoidance for them = $2.2M.

- O&M cost for agency to maintain customized site independently = $383K (based on historical private industry cost data for average large and small libraries combined with site licenses for the agency size requirements in the OPM partner projections);
- O&M cost per agency to use customized site through GoLearn = $288K;
- O&M savings = $95K;
- Number of agencies in FY03 using customized site through GoLearn = 12;
- So FY03 O&M cost avoidance for them = $1.1M.

- These operating year cost avoidance numbers are subsequently projected using key assumptions throughout the lifecycle.

**Actual or Future Savings Measurement**
We have estimated a total of $14.3 million in realized cost avoidance in FY03 which is slightly less than the estimate calculated in the original model. In FY04, the initiative will develop a reliable mechanism for measuring and tracking actual cost avoidance / tax savings performance.
## e-Training

Annual Tax Savings / Cost Avoidance Calculations

<table>
<thead>
<tr>
<th>Benefit</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New applications licensed with GULearn</td>
<td>11</td>
<td>30</td>
<td>46</td>
<td>27</td>
<td>74</td>
<td>105</td>
<td>90</td>
<td>72</td>
<td>114</td>
<td>82</td>
<td>75</td>
<td>121</td>
<td>106</td>
<td>126</td>
<td>132</td>
<td>130</td>
<td>118</td>
<td>114</td>
<td>$380</td>
</tr>
<tr>
<td>Agency/Entity Running Total</td>
<td>$70,130</td>
<td>$2,071,361</td>
<td>$3,140,825</td>
<td>$4,254,859</td>
<td>$5,445,946</td>
<td>$6,722,328</td>
<td>$7,042,043</td>
<td>$6,962,645</td>
<td>$9,483,075</td>
<td>$5,893,973</td>
<td>$12,563,415</td>
<td>$23,603,319</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Direct Cost Avoidance</td>
<td>$1,198,493</td>
<td>$1,146,940</td>
<td>$1,171,704</td>
<td>$1,187,519</td>
<td>$1,204,973</td>
<td>$1,224,068</td>
<td>$1,238,368</td>
<td>$1,242,709</td>
<td>$1,252,703</td>
<td>$1,251,235</td>
<td>$1,256,496</td>
<td>$1,258,406</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Cost Avoidance</td>
<td>$415,075</td>
<td>$1,057,734</td>
<td>$1,021,118</td>
<td>$2,457,245</td>
<td>$2,173,829</td>
<td>$3,508,809</td>
<td>$4,621,382</td>
<td>$5,151,203</td>
<td>$6,430,334</td>
<td>$5,692,939</td>
<td>$37,582,799</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency Business Process Avoidance (Planning &amp; Implementation)</td>
<td>$8,606,926</td>
<td>$21,597,996</td>
<td>$21,483,159</td>
<td>$16,645,246</td>
<td>$15,781,723</td>
<td>$20,335,117</td>
<td>$4,933,765</td>
<td>$6,973,031</td>
<td>$6,517,825</td>
<td>$6,903,615</td>
<td>$151,368,994</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated License Procurement</td>
<td>$3,200,000</td>
<td>$12,651,072</td>
<td>$21,512,777</td>
<td>$29,433,214</td>
<td>$37,524,937</td>
<td>$45,724,765</td>
<td>$54,607,468</td>
<td>$54,030,966</td>
<td>$75,823,908</td>
<td>$98,864,431</td>
<td>$423,884,121</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>$14,311,946</td>
<td>$41,233,666</td>
<td>$62,796,657</td>
<td>$82,149,991</td>
<td>$74,670,288</td>
<td>$86,342,333</td>
<td>$87,609,846</td>
<td>$91,841,191</td>
<td>$118,228,199</td>
<td>$158,194,641</td>
<td>$725,517,874</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

OS CAP # to 03  Model # to 03

| $760,755 | $1,014,314 |
| $1,190,492 | $1,647,766 |
| $453,978 | $625,118 |
| $6,560,000 | $6,568,014 |
| $3,940,999 | $5,255,858 |

FY04-07 Total  OS CAP # to 03  Model # to 03

| Total Cost Avoidance | $14,311,946 | $19,388,176 | $21,588,664 | $29,888,724 | $37,670,288 | $45,724,765 | $54,607,468 | $54,030,966 | $75,823,908 | $98,864,431 | $423,884,121 | $725,517,874 |
# EHRI

<table>
<thead>
<tr>
<th>Total Tax Savings:</th>
<th>$235M</th>
<th>Lifecycle:</th>
<th>11 Years</th>
<th>Period:</th>
<th>FY02 to FY12</th>
</tr>
</thead>
</table>

## Key Assumptions
There are four main areas of benefit (savings and cost avoidance) with the EHRI initiative:
1. Elimination of paper records on employee personnel information
2. Savings due to elimination of agency data warehouse reporting systems
3. Benefits due to ability to report and analyze government-wide workforce information
4. Elimination of Central Personnel Data File (CPDF) which will be replaced by the EHRI data repository.

## Main Criteria for Tax Savings
The life cycle tax savings of $235 million is based on assumption 1 only. EHRI is in the process of updating the initial cost benefit analysis performed by American Management Science (as part of the EHRI Quicksilver business case.)

## Component Parts of Tax Savings
Once the EHRI system is in place (2008) the government will save over $30 million annually in costs associated with handling and storing paper records. These savings are based on the following:
- Number of personnel actions processed each year: 10 million
- Number of forms maintained for each employee: 100
- Number of years forms are stored: 65 years after separation
- Dollars saved by eliminating paper-handling and storage charges: $33 million

## Actual or Future Savings Measurement
The initiative is now updating the cost benefit analysis to include:
- Savings associated with agencies eliminating their own reporting and data warehouse systems;
- Benefits due to OPM’s ability to report and analyze government-wide workforce information;
- Shutdown of OPM’s Central Personnel Data File (CPDF).

Since EHRI is not fully operational yet, no quantitative benefits have been achieved in FY03. It is expected that EHRI will achieve $33 million in savings per year once paper is eliminated in FY08. The initiative will develop a mechanism for measuring and tracking actual cost avoidance.
<table>
<thead>
<tr>
<th>Benefit Area</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>5 Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency and incremental NARA storage cost</td>
<td>$0</td>
<td>$23,000</td>
<td>$94,000</td>
<td>$563,000</td>
<td>$1,314,000</td>
<td>$1,994,000</td>
</tr>
<tr>
<td>Agencies cost to retrieve OPF forms</td>
<td>$0</td>
<td>$202,000</td>
<td>$807,000</td>
<td>$4,945,000</td>
<td>$11,304,000</td>
<td>$17,158,000</td>
</tr>
<tr>
<td>OPF forms filing cost</td>
<td>$0</td>
<td>$35,000</td>
<td>$138,000</td>
<td>$829,000</td>
<td>$1,933,000</td>
<td>$2,935,000</td>
</tr>
<tr>
<td>OPF forms printing cost</td>
<td>$0</td>
<td>$7,000</td>
<td>$30,000</td>
<td>$178,000</td>
<td>$416,000</td>
<td>$651,000</td>
</tr>
<tr>
<td>OPF copying cost</td>
<td>$0</td>
<td>$70,000</td>
<td>$278,000</td>
<td>$1,970,000</td>
<td>$3,896,000</td>
<td>$5,914,000</td>
</tr>
<tr>
<td>Mailing and courier cost between the agencies</td>
<td>$0</td>
<td>$49,000</td>
<td>$244,000</td>
<td>$733,000</td>
<td>$1,711,000</td>
<td>$2,737,000</td>
</tr>
<tr>
<td>Mailing and courier cost within an agency</td>
<td>$0</td>
<td>$2,000</td>
<td>$8,000</td>
<td>$47,000</td>
<td>$110,000</td>
<td>$167,000</td>
</tr>
<tr>
<td>Cost for replacing and rebuilding lost or misplaced OPFs</td>
<td>$0</td>
<td>$16,000</td>
<td>$65,000</td>
<td>$392,000</td>
<td>$914,000</td>
<td>$1,387,000</td>
</tr>
<tr>
<td>Cost of duplicate data entry for employee transfer</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$388,000</td>
<td>$956,000</td>
<td>$1,294,000</td>
</tr>
<tr>
<td>OPM Cost of Building and Maintaining CPOF</td>
<td>$0</td>
<td>$5,000</td>
<td>$29,000</td>
<td>$86,000</td>
<td>$201,000</td>
<td>$322,000</td>
</tr>
<tr>
<td>AGency Cost of non-CPOF reporting</td>
<td>$0</td>
<td>$18,000</td>
<td>$90,000</td>
<td>$271,000</td>
<td>$632,000</td>
<td>$1,011,000</td>
</tr>
<tr>
<td>Annual Totals</td>
<td>$0</td>
<td>$435,000</td>
<td>$1,763,000</td>
<td>$10,002,000</td>
<td>$23,337,000</td>
<td>$35,550,000</td>
</tr>
<tr>
<td>Discounted Annual Totals</td>
<td>$0.00</td>
<td>$400,000.00</td>
<td>$1,558.00</td>
<td>$8,164.00</td>
<td>$17,204.00</td>
<td>$37,928.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>11 Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency and incremental NARA storage cost</td>
<td>$2,112,000</td>
<td>$1,780,000</td>
<td>$1,878,000</td>
<td>$1,878,000</td>
<td>$1,878,000</td>
<td>$1,878,000</td>
<td>$13,378,000</td>
</tr>
<tr>
<td>Agencies cost to retrieve OPF forms</td>
<td>$15,130,000</td>
<td>$16,149,000</td>
<td>$16,149,000</td>
<td>$16,149,000</td>
<td>$16,149,000</td>
<td>$16,149,000</td>
<td>$113,042,000</td>
</tr>
<tr>
<td>OPF forms filing cost</td>
<td>$2,589,000</td>
<td>$2,762,000</td>
<td>$2,762,000</td>
<td>$2,762,000</td>
<td>$2,762,000</td>
<td>$2,762,000</td>
<td>$19,334,000</td>
</tr>
<tr>
<td>OPF forms printing cost</td>
<td>$558,000</td>
<td>$595,000</td>
<td>$595,000</td>
<td>$595,000</td>
<td>$595,000</td>
<td>$595,000</td>
<td>$4,164,000</td>
</tr>
<tr>
<td>OPF copying cost</td>
<td>$5,218,000</td>
<td>$5,566,000</td>
<td>$5,566,000</td>
<td>$5,566,000</td>
<td>$5,566,000</td>
<td>$5,566,000</td>
<td>$38,962,000</td>
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<tr>
<td>Mailing and courier cost between the agencies</td>
<td>$1,833,000</td>
<td>$2,240,000</td>
<td>$2,240,000</td>
<td>$2,851,000</td>
<td>$2,851,000</td>
<td>$2,851,000</td>
<td>$17,603,000</td>
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<tr>
<td>Mailing and courier cost within an agency</td>
<td>$147,000</td>
<td>$157,000</td>
<td>$157,000</td>
<td>$157,000</td>
<td>$157,000</td>
<td>$157,000</td>
<td>$1,099,000</td>
</tr>
<tr>
<td>Cost for replacing and rebuilding lost or misplaced OPFs</td>
<td>$1,244,000</td>
<td>$1,305,000</td>
<td>$1,305,000</td>
<td>$1,305,000</td>
<td>$1,305,000</td>
<td>$1,305,000</td>
<td>$9,136,000</td>
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<tr>
<td>Cost of duplicate data entry for employee transfer</td>
<td>$1,234,000</td>
<td>$1,294,000</td>
<td>$1,294,000</td>
<td>$1,294,000</td>
<td>$1,294,000</td>
<td>$1,294,000</td>
<td>$8,877,000</td>
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<tr>
<td>OPM Cost of Building and Maintaining CPOF</td>
<td>$2,15,000</td>
<td>$263,000</td>
<td>$335,000</td>
<td>$335,000</td>
<td>$335,000</td>
<td>$335,000</td>
<td>$2,140,000</td>
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<tr>
<td>Agency Cost of non-CPOF reporting</td>
<td>$677,000</td>
<td>$626,000</td>
<td>$1,053,000</td>
<td>$1,053,000</td>
<td>$1,053,000</td>
<td>$1,053,000</td>
<td>$5,728,000</td>
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<tr>
<td>Annual Totals</td>
<td>$30,925,000</td>
<td>$33,919,000</td>
<td>$33,334,000</td>
<td>$33,945,000</td>
<td>$33,945,000</td>
<td>$33,945,000</td>
<td>$254,363,000</td>
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<tr>
<td>Discounted Annual Totals</td>
<td>$23,050,000</td>
<td>$23,935,000</td>
<td>$20,789,000</td>
<td>$19,789,000</td>
<td>$18,464,000</td>
<td>$17,255,000</td>
<td>$148,144,000</td>
</tr>
</tbody>
</table>

Annual Benefits of EHRI
### e-PAYROLL

<table>
<thead>
<tr>
<th>Total Tax Savings:</th>
<th>$1.1B</th>
<th>Lifecycle:</th>
<th>10 Years</th>
<th>Period:</th>
<th>FY03 to FY12</th>
</tr>
</thead>
</table>

**Key Assumptions**

Although there are numerous assumptions the following major assumptions are provided for the status quo and the chosen alternative of the two partnership scenarios.

**Status quo**

- Twenty-two Executive branch payroll service providers will continue to operate as currently configured. This alternative would result in many budget requests for modernization in the near future as most legacy systems average 20 years of age;
- Payroll and time and attendance operations cost is the sum of the raw data provided in agency responses to a March 2002 data request, subsequently updated with benchmarking results;
- Systems upgrade costs are the sum of the planned upgrade expenses as reported by agencies in response to a March 2002 data call.

**Two partnership alternative**

- Eighteen agencies were included in the analysis: four selected payroll providers and fourteen non-continuing payroll agencies. Agencies which were excluded from the analysis include agencies from the Intelligence Community and agencies which have been exempted. OPM is undertaking efforts to gather data on those agencies for the next business case submission. However, the exclusion of these agencies at this time is not expected to have a material impact on the analysis;
- Agencies newly serviced by one of the Partnerships may still incur costs related to the timekeeping function of payroll processing after transition. However, it is expected that there will be reduction in the duplication of effort in the conversion of the cost across agencies;
- The cost analysis assumed that maximum effort would be made to leverage the existing investments or the investments in progress of the current providers. Any recent investment made by an agency that cannot be utilized in any way is considered as sunk cost and does not impact any cost estimate of this initiative.
e-PAYROLL

Main Criteria for Tax Savings

Main criteria for savings:
- Consolidation of 22 redundant payroll operations to two Partnerships;
- Elimination of maintenance and upgrade to duplicative legacy systems;
- Technology replacement is limited to the two partnerships.

Component Parts of Tax Savings

<table>
<thead>
<tr>
<th>Cost in Millions (rounded)</th>
<th>Status Quo</th>
<th>2 Partnerships</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time and Attendance and Payroll Operations</td>
<td>$2,500</td>
<td>$1,700</td>
<td>$800</td>
</tr>
<tr>
<td>System Upgrade</td>
<td>$80</td>
<td>--</td>
<td>$80</td>
</tr>
<tr>
<td>Migration</td>
<td>--</td>
<td>$50</td>
<td>($50)</td>
</tr>
<tr>
<td>System Replacement</td>
<td>$630</td>
<td>$350</td>
<td>$280</td>
</tr>
<tr>
<td>Total</td>
<td>$3,210</td>
<td>$2,100</td>
<td>$1,110</td>
</tr>
</tbody>
</table>

Actual or Future Savings Measurement

To determine overall operational costs, OPM has used two methods to collect agency data. At the beginning of the project in March 2002 OPM submitted a request to agencies asking for cost estimates for payroll operations and system upgrades and/or replacements. The most recent request for data was conducted through an independent benchmarking survey managed by IBM. Data from the IBM survey are a better result since submitted data was aggressively managed. This information was factored into the cost model developed specifically for the project and has three key components:

- Operations
  The cost of operations is defined as the cost of delivering all defined payroll services to customers and is expressed as the annual cost per W-2 issued by the payroll office. These costs were captured through data calls and benchmarking surveys with existing payroll providers. Known data was used to extrapolate estimates for non-responsive agencies. Cost savings were estimated by assuming that as customer agencies migrated to the most efficient providers, the cost of service delivery to the customer would be reduced to the provider’s baseline rate. Potential additional volume cost efficiencies were not estimated in the model.

- Maintenance
  The cost of on-going maintenance is defined as the routine
### OPM E-Gov Program

#### Tax Savings / Cost Avoidance Justification Summary

<table>
<thead>
<tr>
<th>e-PAYROLL</th>
</tr>
</thead>
<tbody>
<tr>
<td>expenses of supporting an existing system. These costs typically include modifications to meet new pay and deduction requirements, updates of tables, upgrades in software, hardware, etc. These costs were captured through data calls to selected providers. Cost savings were estimated by assuming that as customer agencies migrated to consolidated providers the cost of on-going maintenance for the customer agencies would be discontinued.</td>
</tr>
<tr>
<td><strong>System Replacement</strong></td>
</tr>
<tr>
<td>The cost of system replacement is defined as the investment to replace legacy systems with modern technology. These costs were captured through data calls to existing providers, reviews of Exhibit 53 reports, and studies recently completed by major providers. It was assumed that all agencies using legacy systems would require replacement during the life cycle of the initiative. Cost savings were estimated by assuming that as customer agencies migrated to consolidated providers the cost of system replacement for the customer agencies would be avoided.</td>
</tr>
<tr>
<td>The $69.7 million savings in FY03 are derived from the avoidance of costs related to the maintenance and replacement of customer agencies' legacy systems. As agencies migrate to the Providers payroll services, the majority of the savings (~73 percent) will be gained from efficiencies gained in operational costs. The remainder of the savings is achieved by cost avoidance of the replacement (~25 percent) and the maintenance of legacy systems (~2 percent).</td>
</tr>
<tr>
<td>Savings for operations and maintenance will be recognized as agencies complete migrations to new providers, and for system replacement as the time when agencies were expected to invest in system replacements elapses without incurring that expense.</td>
</tr>
</tbody>
</table>
### Table 113

#### COST COMPARISON

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>in Millions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$88,670</td>
<td>$68,762</td>
<td>$68,742</td>
<td>$68,737</td>
<td>$68,720</td>
<td>$68,681</td>
<td>$68,674</td>
<td>$68,664</td>
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<tr>
<td><strong>Savings</strong></td>
<td><strong>in Thousands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$200,000</td>
<td>$100,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

#### Savings per Year

- **FY 2003**
  - $200,000
- **FY 2004**
  - $100,000
- **FY 2005**
  - $50,000
- **FY 2006**
  - $50,000
- **FY 2007**
  - $50,000
- **FY 2008**
  - $50,000
- **FY 2009**
  - $50,000
- **FY 2010**
  - $50,000
- **FY 2011**
  - $50,000
- **FY 2012**
  - $50,000

#### Savings Summary

- **Cumulative Savings**
  - **FY 2003**: $200,000
  - **FY 2004**: $300,000
  - **FY 2005**: $350,000
  - **FY 2006**: $400,000
  - **FY 2007**: $450,000
  - **FY 2008**: $500,000
  - **FY 2009**: $550,000
  - **FY 2010**: $600,000
  - **FY 2011**: $650,000
  - **FY 2012**: $700,000

- **Savings Per Year**
  - **FY 2003**: $200,000
  - **FY 2004**: $100,000
  - **FY 2005**: $50,000
  - **FY 2006**: $50,000
  - **FY 2007**: $50,000
  - **FY 2008**: $50,000
  - **FY 2009**: $50,000
  - **FY 2010**: $50,000
  - **FY 2011**: $50,000
  - **FY 2012**: $50,000

---

**Scenario Choices**

- **Row 1**: Monthly Delay in Migrating
- **Row 2**: Change in Technology Costs
- **Row 3**: Change in Migration Costs
- **Row 4**: New/Improved Costs
- **Row 5**: Total Mergers Costs
Ms. Linda D. Koontz
Director, Information Management Issues
United States General Accounting Office
Washington, DC 20548

Dear Ms. Koontz:

This is in response to the General Accounting Office’s testimony on the Office of Personnel Management’s (OPM’s) e-Gov initiatives before the House Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census. OPM’s five e-Government (e-Gov) initiatives were designed to provide government-wide benefits and savings to the American taxpayer as a key part of the President’s Management Agenda. The purpose of this letter is to provide you with more detail about how we arrived at our savings estimates and how we plan to track actual savings for each of the projects.

An initial capital asset plan was prepared for each initiative. A key part of these plans was the analysis among alternative courses of action. The cost savings estimates reported by Director James in her testimony, $2.7 billion, is the sum of the cost savings estimated for each project from its capital asset plan. These estimates were developed by OPM’s e-Gov project managers with assistance from Booz Allen Hamilton, IBM and AMS and reviewed by OMB at the start of each project. In the absence of a detailed GAO analysis of the projected e-Gov savings, I would be happy to meet with you to discuss these tax savings estimates in detail. I have enclosed a table for each project outlining the cost savings assumptions, the associated cost elements, and the projected savings. I believe this provides a sound explanation of how we justify these estimated tax savings.

For some projects, savings have already been realized during FY 2003. The enclosed tables describe our plans for implementing savings tracking methodologies for each project and, where applicable, cite FY 2003 dollar savings as a result of the initiative.

I appreciate the opportunity to respond to your interest in OPM’s e-Government projects.

Sincerely,

[Signature]
Norman Enger
Program Director, e-Gov Initiatives

Enclosure
On September 23 the Director testified before Chairman Putnam's House Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census about the five e-Gov initiatives for which we are the managing partner. As a result of the testimony, OPM agreed to provide additional justification about the tax savings associated with OPM's five e-Gov projects. This letter informs Chairman Putnam that OPM has provided the requested information to GAO. It encloses the letter from Norm Enger to Linda Koontz of GAO and the related attachments.

This is time sensitive in that the Director wanted to let the Subcommittee as soon as possible that we had provided the information about e-Gov tax savings to GAO.

NOTE

SEE OCR'S

COMMENTS ATTACHED
REMARKS
On September 23 the Director testified before Chairman Putnam’s House Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census about the five e-Gov initiatives for which we are the managing partner. As a result of the testimony, OPM agreed to provide additional justification about the tax savings associated with OPM’s five e-Gov projects. This letter informs Chairman Putnam that OPM has provided the requested information to GAO. It encloses the letter from Norm Eger to Linda Koonce of GAO and the related attachments.

This is time sensitive in that The Director wanted to let the Subcommittee as soon as possible that we had provided the information about e-Gov tax savings to GAO.

CC

FROM:  
Jeff Pen, Deputy Director, e-Gov
Room No.:  Bldg.  
54177
Phone No.:  202-656-8632
## RECRUITMENT ONE-STOP

<table>
<thead>
<tr>
<th>Total Tax Savings:</th>
<th>$365M</th>
<th>Lifecycle:</th>
<th>10 Years</th>
<th>Period:</th>
<th>FY03 to FY12</th>
</tr>
</thead>
</table>

### Key Assumptions

1) **Efficiency Gain** -- reduced costs for mailing hard copy applications and responses; reduced HR staff time involved in processing paper applications; reduced HR staff time engaged in candidate sourcing activities; reduced HR staff time involved in mailing and responding to calls; reduced IT staff time devoted to job search and resume builder applications -- assumes 1,000,000 applications filed per year and 25% decrease in HR/IT staff time devoted to inquiry response, paper application handling, candidate sourcing, and IT support.

2) **Cost Reduction for Agency job search engine purchase and development** -- assumes modest software purchase and/or development costs of $15,000 per agency or organizational sub-component for a total of 1,330 entities.

3) **Cost Reduction in Governmentwide Cost per Hire** -- assumes 100,000 hires per year; increased use of automation in applicant evaluation; improved tools; economies of scale in pricing through negotiation of Governmentwide enterprise pricing; streamlined hiring processes.

### Main Criteria for Tax Savings

- Savings in cost per hire
- Efficiency gains

### Component Parts of Tax Savings

1) **Efficiency Gain of $85.6M** -- reduced costs for mailing hard copy announcements; reduced HR staff time involved in mailing and responding to calls; reduced IT staff time devoted to job search and resume builder applications.

2) **Cost Reduction for Agency job search engine purchase and development of $1.9M**.

3) **Cost Reduction in Governmentwide Cost per Hire of $277.6M**.

### Actual or Future Savings Measurement

No quantitative benefits have been measured in FY03. In FY04, OPM will validate the baselines established in the cost per hire metric and develop an on-going process for tracking improvement to the baseline.
### Benelit Table

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Making cost, R&amp;D and IT staff efficiency/gain</td>
<td>$0</td>
<td>$2,001,000</td>
<td>$3,661,000</td>
<td>$11,707,000</td>
<td>$11,498,000</td>
<td>$11,341,000</td>
<td>$10,975,400</td>
<td>$10,175,400</td>
<td>$10,175,400</td>
<td>$10,175,400</td>
<td>$10,175,400</td>
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<td>Cost reduction on development of a single website</td>
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<td>$0</td>
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<td>$0</td>
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<tr>
<td>Cost reduction on cost per hire</td>
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<td>$1,431,920</td>
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<td>$29,649,057</td>
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<td>$61,176,089</td>
<td>$177,225,695.27</td>
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<tr>
<td>Total benefit</td>
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<td>$15,345,014</td>
<td>$32,743,805</td>
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<td>$46,912,321</td>
<td>$54,357,321</td>
<td>$61,351,489</td>
<td>$61,351,489</td>
<td>$61,351,489</td>
<td>$386,199,828.91</td>
</tr>
</tbody>
</table>

| Net Present Value     | $386,199,828.91 |

Recruit...One-Stop

Annual Tax Savings / Cost Avoidance Calculation
### e-CLEARANCE

<table>
<thead>
<tr>
<th>Total Tax Savings:</th>
<th>$258M</th>
<th>Lifecycle:</th>
<th>10 Years</th>
<th>Period:</th>
<th>FY03 to FY12</th>
</tr>
</thead>
</table>

#### Key Assumptions

- **Reciprocity**: This captures the benefits agencies gained by leveraging the investigative data completed by other agencies. Currently, when people transfer to other agencies a reinvestigation often occurs since the receiving agency does not have access to the clearance statuses or investigative records of the originating agency. Based on OPM's 2002 estimates, approximately 224,000 clearances are conducted annually by OPM. Of this estimate, 26 percent are for Top Secret (TS) investigations, of which 42 percent are expected for reinvestigation, and of that estimate only 5 percent are required as part of interagency transfers; therefore, approximately 1,223 TS investigations are required as part of interagency transfers. An assumption was also made that a TS investigation costs $1,740, which would make this potential savings $2,128,090 for the TS portion of investigations. As for the Secret Clearances (S/C), 74 percent of 224,000 investigations are conducted by OPM and of that estimate, 35 percent are reinvestigations, of which 5 percent result from interagency transfers; therefore approximately 2,901 S/C investigations result from interagency transfers. An assumption was also made that an S/C investigation costs $132; thus making this annual benefit $382,906. Based on the assumptions associated with TS and S/C investigations, the total annual Reciprocity benefits could realize potential savings of $2,510,995. Please note that this benefit can be incrementally achieved to reach its full potential by FY05; therefore only 24 percent of $2,510,995 was projected in FY03, 50 percent in FY04 and 100 percent in FY05.

- **Data Collection**: Data collection includes those benefits expected through efficiency gains associated with the clearance request collection and validation process. The investigative data collection process includes the time required to verify that security forms are completed thoroughly and accurately. Furthermore, this process includes the time required to key the information into the case management system for investigation and adjudication. This benefit amount was calculated by using the following assumptions. OPM currently handles 224,000 investigations annually and 26 percent of those are TS investigations and 74 percent are S/C investigations. Additionally, the average cost of a TS investigation is $1,723 and an S/C investigation is $132, which equates to $101,337,600 being spent on TS investigations and $21,880,320 being spent on S/C investigation. It was assumed that a one (1) percent reduction in the
e-CLEARANCE

- Parcel Savings from Electronic File Routing: This category refers to the reduction in mailing costs that arise due to being able to electronically route investigative files rather than using a mail delivery service. This benefit is possible because of the imaged investigative files and the security portal. Assuming that there are 64,000 annual requests of OPM to send investigative files, it was further assumed that 80 percent of those requests are sent via regular mail, 15 percent through a private carrier, and 5 percent sent via a courier, which cost $2.00, $8.00, and $20.00 respectively. This equates to an $185,600 savings that OPM could be realize by electronically routing investigative files. Note: this benefit was projected to be incrementally achieved to reach its full potential by FY05; therefore only 16.5 percent of $185,600 was projected in FY03, 66.7 percent in FY04 and 100 percent in FY05.

- Efficiency Gain from Electronic File Routing: This benefit results from the improved efficiency realized through the imaged investigative file request and delivery functionality. Less time would be utilized in trying to locate the appropriate individual from whom to request an investigative file and waiting for the investigating agency to return the file electronically since this function will be automated. This benefit is possible because of the imaged investigative files and the security portal. Assuming that there are 64,000 investigative file request of OPM annually and that an individual with an annual burdened salary of $49,686 (based on the 2003 GS rate schedule, the annual salary of a GS-7 Step 5 including 32.83 percent for benefits and 12 percent for overhead) would save 45 minutes per request, the annual potential benefit would be $1,146,603. Note: this benefit was projected to be incrementally achieved to reach its full potential by FY05; therefore only 16.5 percent of $1,146,603 was projected in FY03, 66.7 percent in FY04 and 100 percent in FY05.

- In addition to the Opportunity Savings described above, OPM was also projected to save in the area of systems operation and maintenance. OPM could achieve cost savings from operating in the Current Plan versus the status quo. This cost savings over the lifecycle would be approximately $29 million from FY03 through
## e-CLEARANCE

<table>
<thead>
<tr>
<th>FY12.</th>
</tr>
</thead>
</table>

### Main Criteria for Tax Savings

Even though the calculated savings per clearance are based on OPM-related data, the maximum benefit will be achieved when e-Clearance is implemented Government-wide. While the OPM total benefits amount to $84 million over the lifecycle (based on 224,000 clearances per annum), the Government-wide benefits for the estimated 700,000 annual clearances would generate savings of about $260 million over the lifecycle.

### Component Parts of Tax Savings

As described above, the quantitative benefits expected to result from implementation of the Current Plan primarily center on opportunity savings, which comprises reciprocity benefits, data collection benefits, parcel savings, efficiency gains from the imaged investigative file request/delivery functionality, and operations and maintenance savings.

### Actual or Future Savings Measurement

Based on the assumptions described above, it is estimated that e-Clearance realized a total of $5.4 million in savings in FY03. In FY04, the initiative will develop a reliable mechanism to measure and track actual savings resulting from the e-Clearance implementation.
## e-TRAINING

<table>
<thead>
<tr>
<th>Total Tax Savings</th>
<th>$784M</th>
<th>Lifecycle: 10 Years</th>
<th>Period: FY03 to FY12</th>
</tr>
</thead>
</table>

### Key Assumptions
- Growth rates and other key variables applied against the operating year July 2002 to July 2003 for subsequent lifecycle years.

### Main Criteria for Tax Savings
- Tuition cost avoidance
- Savings from compressed learning time
- Travel cost avoidance
- Redundant program and project planning costs, and
- Reduced course licensing and LMS fees

### Component Parts of Tax Savings
- **Tuition cost avoidance** results from GoLearn users substituting less expensive online courses for traditional instructor-led courses. To demonstrate this cost avoidance, half of the courses completed on GoLearn systems between July 2002 and July 2003 (half of 52,009) are assumed to substitute for instructor-lead courses. Conservative tuition cost estimates for instructor-led courses and online courses are $60 and $30 respectively. Based on these assumptions and the actual figure of 52,009 courses completed, the estimated tuition cost savings during this operating period was $780,135.

- **Savings from compressed learning time** is derived from salary savings when the staff uses online learning instead of instructor-led learning. Online courses generally require only two-thirds the amount of time as content-equivalent instructor-led courses. To demonstrate this cost savings, it is again assumed that half of the courses completed on GoLearn systems between July 2002 and July 2003 (half of 52,009) substituted for instructor-lead courses. To capture the time compression, an average instructor-led course is estimated to require 8 hours and an equivalent online course is estimated to require only 6 hours. It is estimated that, based on an average GS 5 to GS 13 hourly salary of $25, the 52,009 GoLearn courses actually completed during the operating period resulted in an estimated savings from compressed learning time of $1,196,492.

- **Travel cost avoidance** results from employees substituting online training available anywhere for out-of-town instructor-led courses. To demonstrate this cost savings, it is again assumed that half of the courses completed on GoLearn systems between July 2002 and July 2003 (half of 52,009) substitute instructor-lead courses. It is also assumed that half of these substitutions are for out-of-town courses.
e-TRAINING

(thus, one quarter of the online courses provided travel cost avoidance benefits). It is estimated that, by conservatively estimating average travel costs of $35, the 52,009 GoLearn courses completed resulted in $455,079 travel cost avoidance during the July 2003 to July 2003 operating period.

- Through the e-Training initiative, agencies would achieve efficiencies through avoidance of cost related to establishing individual web-based learning programs. Specifically this concept is based on the avoidance of agencies in having to individually invest in program planning work-streams, which includes project planning and requirements analysis, acquisition strategy development and Request for Proposal (RFP) support, Vendor and Market Analysis, and change management and customer outreach. It is estimated that each agency would incur an average of $600,000 for conducting these work streams in order to establish a similar e-Training program. It is important to note that the program planning cost avoidance is separate from the cost avoidance of each agency's need to technically develop and augment individual e-Training sites. The cost avoidance of individual agencies (assumed a total of 11 agencies at $600,000 each) not expending investment resources to deliver their own web-based learning services and capabilities is estimated around $6.6 million in FY03.

- There are significant redundancies in e-Training related course licensing and LMS infrastructure fees being paid for by the Federal Government. This initiative would permit the government to design and deploy educational content at a cost never before possible through consolidated procurement of course licenses and utilization of a standardized and shared LMS infrastructure. A $150,000 investment is needed, based on surveys of current market pricing, for an average size agency (assumed to be 6,300 employees) to individually acquire and set up its own online training system. This cost includes LMS setup costs for customization, a custom storefront, and individual development programs. An average size agency (assumed to be 6,300 employees) would require a yearly LMS licensing fee of $22.50 per employee for maintenance, hosting, bandwidth, and customer support. The efficiencies gained from the consolidation projects to approximately $5.3 million in FY03.

➢ The savings achieved by eliminating these redundancies were calculated as follows:
  - Setup cost for agency to build customized site independently = $150K;
  - Setup cost per agency to use GoLearn.gov site = $34K;
**e-TRAINING**

- Setup savings = $116K;
- Number of agencies in FY03 using GoLearn.gov rather than building independently = 15;
- So FY03 setup cost avoidance for them = $1.7M.

- Setup cost for agency to build customized site independently = $150K;
- Setup cost per agency to build customized site through GoLearn = $109K;
- Setup savings = $41K;
- Number of agencies in FY03 using customized site through GoLearn = 5;
- So FY03 setup cost avoidance for them = $0.2M.

- O&M cost for agency to maintain customized site independently = $383K (based on historical private industry cost data for average large and small libraries combined with site licenses for the agency size requirements in the OPM partner projections);
- O&M cost per agency to use GoLearn.gov site = $236K;
- O&M savings = $147K;
- Number of agencies in FY03 using customized site through GoLearn = 15;
- So FY03 O&M cost avoidance for them = $2.2M.

- O&M cost for agency to maintain customized site independently = $383K (based on historical private industry cost data for average large and small libraries combined with site licenses for the agency size requirements in the OPM partner projections);
- O&M cost per agency to use customized site through GoLearn = $288K;
- O&M savings = $95K;
- Number of agencies in FY03 using customized site through GoLearn = 12;
- So FY03 O&M cost avoidance for them = $1.1M.

- These operating year cost avoidance numbers are subsequently projected using key assumptions, throughout the lifecycle.

**Actual or Future Savings Measurement**

| Actual or Future Savings Measurement | We have estimated a total of $14.3 million in realized cost avoidance in FY03 which is slightly less than the estimate calculated in the original model. In FY04, the initiative will develop a reliable mechanism for measuring and tracking actual cost avoidance / tax savings performance. |

---

Page 7 of 11 9/30/2003
### Annual Tax Savings / Cost Avoidance Calculations

<table>
<thead>
<tr>
<th>Detail</th>
<th>FY'03</th>
<th>FY'04</th>
<th>FY'05</th>
<th>FY'06</th>
<th>FY'07</th>
<th>FY'08</th>
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<th>FY'10</th>
<th>FY'11</th>
<th>FY'12</th>
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<tbody>
<tr>
<td>Total</td>
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<td>3,257,381</td>
<td>3,140,625</td>
<td>2,354,505</td>
<td>5,045,604</td>
<td>6,702,828</td>
<td>8,042,153</td>
<td>8,462,643</td>
<td>10,996,573</td>
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<td>10,996,573</td>
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<td>Savings Non-Compressed Learning Time (SAL)</td>
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<td>21,492,166</td>
<td>19,494,245</td>
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<td>Total</td>
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**Notes:**
- FY CAP # for T25
- Model # for T35

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<th>FY'05</th>
<th>FY'06</th>
<th>FY'07</th>
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<th>FY'09</th>
<th>FY'10</th>
<th>FY'11</th>
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<th>Totals</th>
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<td><strong>Period:</strong></td>
<td>FY02 to FY12</td>
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</tbody>
</table>

**Key Assumptions**
There are four main areas of benefit (savings and cost avoidance) with the EHRI initiative:
1. Elimination of paper records on employee personnel information
2. Savings due to elimination of agency data warehouse reporting systems
3. Benefits due to ability to report and analyze government-wide workforce information
4. Elimination of Central Personnel Data File (CPDF) which will be replaced by the EHRI data repository.

**Main Criteria for Tax Savings**
The life cycle tax savings of $235 million is based on assumption 1 only. EHRI is in the process of updating the initial cost benefit analysis performed by American Management Science (as part of the EHRI Quicksilver business case.)

**Component Parts of Tax Savings**
Once the EHRI system is in place (2008) the government will save over $30 million annually in costs associated with handling and storing paper records. These savings are based on the following:
- Number of personnel actions processed each year: 10 million
- Number of forms maintained for each employee: 100
- Number of years forms are stored: 65 years after separation
- Dollars saved by eliminating paper-handling and storage charges: 533 million

**Actual or Future Savings Measurement**
The initiative is now updating the cost benefit analysis to include:
- Savings associated with agencies eliminating their own reporting and data warehouse systems;
- Benefits due to OPM’s ability to report and analyze government-wide workforce information;
- Shutdown of OPM’s Central Personnel Data File (CPDF).

Since EHRI is not fully operational yet, no quantitative benefits have been achieved in FY03. It is expected that EHRI will achieve 533 million in savings per year once paper is eliminated in FY08. The initiative will develop a mechanism for measuring and tracking actual cost avoidance.
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<tr>
<th>Benefit Area</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>5 Year Total</th>
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<td>$563,000</td>
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<td>Cost for replacing and rebuilding lost or misplaced OPFs</td>
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<th>2009</th>
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<td>$5,566,000</td>
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<td>2012</td>
<td>$1,833,000</td>
<td>$2,240,000</td>
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</table>

| Annual Totals                                         | $30,925,000 | $32,919,000 | $33,354,000 | $33,945,000 | $33,945,000 | $33,945,000 |
| Discounted Annual Totals                             | $22,050,002 | $21,833,000 | $20,739,000 | $19,756,000 | $18,844,000 | $17,258,000 | $14,814,000 |

Annual Benefits of EHRI
### e-PAYROLL

<table>
<thead>
<tr>
<th>Total Tax Savings</th>
<th>Lifecycle</th>
<th>Period</th>
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<tr>
<td>$1.1B</td>
<td>10 Years</td>
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</table>

#### Key Assumptions

Although there are numerous assumptions the following major assumptions are provided for the status quo and the chosen alternative of the two partnership scenario.

**Status quo**

- Twenty two Executive branch payroll service providers will continue to operate as currently configured. This alternative would result in many budget requests for modernization in the near future as most legacy systems average 20 years of age;
- Payroll and time and attendance operations cost is the sum of the raw data provided in agency responses to a March 2002 data request, subsequently updated with benchmarking results;
- Systems upgrade cost is the sum of the planned upgrade expenses as reported by agencies in response to a March 2002 data call.

**Two partnership alternative**

- Eighteen agencies were included in the analysis: four selected payroll providers and fourteen non-continuing payroll agencies. Agencies which were excluded from the analysis include agencies from the Intelligence Community and agencies which have been exempted. OPM is undertaking efforts to gather data on these agencies for the next business case submission. However, the exclusion of these agencies at this time is not expected to have a material impact on the analysis;
- Agencies newly serviced by one of the Partnerships may still incur costs related to the timekeeping function of payroll processing after migration. However, it is expected that there will be reduction in the duplication of effort of the cost across agencies;
- The cost analysis assumed that maximum effort would be made to leverage the existing investments or the investments in progress of the current providers. Any recent investment made by an agency that cannot be utilized in any way is considered as sunk cost and does not impact any cost estimate of this initiative.
### e-PAYROLL

#### Main Criteria for Tax Savings

*Main criteria for savings:*
- Consolidation of 22 redundant payroll operations to two Partnerships;
- Elimination of maintenance and upgrade to duplicative legacy systems;
- Technology replacement is limited to the two partnerships.

#### Component Parts of Tax Savings

<table>
<thead>
<tr>
<th>Cost in Millions (rounded)</th>
<th>Status Quo</th>
<th>2 Partnerships</th>
<th>Savings</th>
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</thead>
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<tr>
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<tr>
<td>System Upgrade</td>
<td>$80</td>
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<td>$80</td>
</tr>
<tr>
<td>Migration</td>
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<td>$50</td>
<td>($50)</td>
</tr>
<tr>
<td>System Replacement</td>
<td>$630</td>
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<td>Total</td>
<td>$3,210</td>
<td>$2,100</td>
<td>$1,110</td>
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</table>

#### Actual or Future Savings Measurement

To determine overall operational costs, OPM has used two methods to collect agency data. At the beginning of the project in March 2002 OPM submitted a request to agencies asking for cost estimates for payroll operations and system upgrades and/or replacements. The most recent request for data was conducted through an independent benchmarking survey managed by IBM. Data from the IBM survey are a better result since submitted data was aggressively managed. This information was factored into the cost model developed specifically for the project and has three key components:

- **Operations**
  The cost of operations is defined as the cost of delivering all defined payroll services to customers and is expressed as the annual cost per W-2 issued by the payroll office. These costs were captured through data calls and benchmarking surveys with existing payroll providers. Known data was used to extrapolate estimates for non-responsive agencies. Cost savings were estimated by assuming that as customer agencies migrated to the most efficient providers, the cost of service delivery to the customer would be reduced to the provider’s baseline rate. Potential additional volume cost efficiencies were not estimated in the model.

- **Maintenance**
  The cost of on-going maintenance is defined as the routine
### e-PAYROLL

expenses of supporting an existing system. These costs typically include modifications to meet new pay and deduction requirements, updates of tables, upgrades in software, hardware, etc. These costs were captured through data calls to selected providers. Cost savings were estimated by assuming that as customer agencies migrated to consolidated providers the cost of on-going maintenance for the customer agencies would be discontinued.

- **System Replacement**

The cost of system replacement is defined as the investment to replace legacy systems with modern technology. These costs were captured through data calls to existing providers, reviews of Exhibit 53 reports, and studies recently completed by major providers. It was assumed that all agencies using legacy systems would require replacement during the life cycle of the initiative. Cost savings were estimated by assuming that as customer agencies migrated to consolidated providers the cost of system replacement for the customer agencies would be avoided.

The $69.7 million savings in FY03 are derived from the avoidance of costs related to the maintenance and replacement of customer agencies legacy systems. As agencies migrate to the Providers payroll services, the majority of the savings (~73 percent) will be gained from efficiencies gained in operational costs. The remainder of the savings is achieved by cost avoidance of the replacement (~25 percent) and the maintenance of legacy systems (~2 percent).

Savings for operations and maintenance will be recognized as agencies complete migrations to new providers, and for system replacement as the time when agencies were expected to invest in system replacements elapses without incurring that expense.
<table>
<thead>
<tr>
<th>Scenario</th>
<th>Lead-Time in Minutes</th>
<th>Material Handling Costs Saved</th>
<th>Material Handling Costs Avoided</th>
<th>Total Material Handling Costs Saved</th>
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<tr>
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<td>Total</td>
<td>$600,000</td>
<td>$720,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Ms. Linda D. Koontz
Director, Information Management Issues
United States General Accounting Office
Washington, DC 20548

Dear Ms. Koontz:

This is in response to the General Accounting Office's testimony on OPM's e-Gov initiatives before the House Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census. OPM's five e-Gov initiatives were designed to provide government-wide benefits and savings to the American taxpayer as a key part of the President's Management Agenda. The purpose of this letter is to provide you with more detail about how we arrived at our savings estimates and how we plan to track actual savings for each of the projects.

An initial capital asset plan was prepared for each initiative. A key part of these plans was the analysis among alternative courses of action. The cost savings reported by Director James in her testimony, $2.7 billion, is the sum of the cost savings estimated for each project from its capital asset plan. I have enclosed a table for each project outlining the cost savings assumptions, the associated cost elements and the projected savings. I believe this provides a sound explanation of how we justify these estimated tax savings.

For some projects savings have already been realized during FY 2003. The enclosed tables describe our plans for implementing savings tracking methodologies for each project and where applicable, the FY 2003 dollar savings as a result of the initiative.

I appreciate the opportunity to respond to your interest in OPM's e-Government projects.

Sincerely,

Norman Enger
Program Director, e-Gov Initiatives

Enclosure
Ms. Linda D. Koontz  
Director, Information Management Issues  
United States General Accounting Office  
Washington, DC 20548

Dear Ms. Koontz:

This is in response to the General Accounting Office’s testimony on OPM’s e-Gov initiatives before the House Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census. OPM’s five e-Gov initiatives were designed to provide government-wide benefits and savings to the American taxpayer as a key part of the President’s Management Agenda. The purpose of this letter is to provide you with more detail about how we arrived at our savings estimates and how we plan to track actual savings for each of the projects.

An initial capital asset plan was prepared for each initiative. A key part of these plans was the analysis among alternative courses of action. The cost savings reported by Director James in her testimony, $2.7 billion, is the sum of the cost savings estimated for each project from its capital asset plan. These estimates were developed by independent contractors and reviewed by OMB at the start of each project. In the absence of a detailed GAO analysis of the projected e-Gov savings, I would be happy to discuss these estimates in detail. I have enclosed a table by each project outlining the cost savings assumptions, the associated cost elements and the projected savings. I believe this provides a sound explanation of how we justify these estimated tax savings.

For some projects savings have already been realized during FY 2003. The enclosed tables describe our plans for implementing savings tracking methodologies for each project and where applicable, cite FY 2003 dollar savings as a result of the initiative.

I appreciate the opportunity to respond to your interest in OPM’s e-Government projects.

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Norman Enger  
Program Director, e-Gov Initiatives

Enclosure: Booz Allen Hamilton, IBM and OMB
Ms. Linda D. Koontz
Director, Information Management Issues
United States General Accounting Office
Washington, DC 20548

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An initial capital asset plan was prepared for each initiative. A key part of these plans was the analysis among alternative courses of action. The cost savings estimates reported by Director James in her testimony, $2.3 billion, is the sum of the cost savings estimated for each project from its capital asset plan. These estimates were developed by OMB and reviewed by OMB at the start of each project. In the absence of a detailed GAO analysis of the projected e-Gov savings, I would be happy to meet with you to discuss these tax savings estimates in detail. I have enclosed a table for each project outlining the cost savings assumptions, the associated cost elements and the projected savings. I believe this provides a sound explanation of how we justify these estimated tax savings.

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Enclosure