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FEDERAL RETIREMENT PROCESSING

OPM Is Pursuing Incremental Information Technology Improvements after Canceling a Modernization Plagued by Management Weaknesses

Why GAO Did This Study

OPM is the central human resources agency for the federal government and, as such, is responsible for ensuring that the government has an effective civilian workforce. As part of its mission, OPM defines recruiting and hiring processes and procedures; provides federal employees with various benefits, such as health benefits; and administers the retirement program for federal employees. OPM's use of IT is critical in carrying out its responsibilities; in fiscal year 2013 the agency plans to invest about $85 million in IT systems and services. For over two decades, OPM has been attempting to modernize its federal employee retirement process by automating paper-based processes and replacing antiquated information systems. However, these efforts have been unsuccessful, and the agency canceled its most recent large-scale retirement modernization effort in February 2011.

GAO was asked to summarize its work on challenges OPM has faced in attempting to modernize the federal employee retirement process and to describe the agency's recent reported actions to improve its retirement processing. To do this, GAO generally relied on previously published work.

What GAO Recommends

GAO is not making new recommendations at this time. GAO has previously made numerous recommendations to address IT management challenges that OPM has faced in carrying out its retirement modernization efforts. Fully addressing these challenges remains key to the success of OPM's efforts.

View GAO-13-580T. For more information, contact Valerie C. Melvin at (202) 512-6304 or melvinv@gao.gov.

What GAO Found

In a series of reviews, GAO found that the Office of Personnel Management's (OPM) retirement modernization efforts were hindered by weaknesses in key management practices that are essential to successful information technology (IT) modernization projects. For example, in 2005, GAO made recommendations to address weaknesses in the following areas:

- **Project management:** While OPM had defined major components of its retirement modernization effort, it had not identified the dependencies among them, increasing the risk that delays in one activity could have unforeseen impacts on the progress of others.
- **Risk management:** OPM did not have a process for identifying and tracking project risks and mitigation strategies on a regular basis. Thus, it lacked a mechanism to address potential problems that could adversely impact the cost, schedule, and quality of the modernization effort.
- **Organizational change management:** OPM had not adequately prepared its staff for changes to job responsibilities resulting from the modernization by developing a detailed transition plan. This could lead to confusion about roles and responsibilities and hinder effective system implementation.

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

- **Testing:** The results of tests 1 month prior to the deployment of a major system component revealed that it had not performed as intended. These defects, along with a compressed testing schedule, increased the risk that the system would not work as intended upon deployment.
- **Cost estimating:** The cost estimate OPM developed was not fully reliable. This meant that the agency did not have a sound basis for formulating budgets or developing a program baseline.
- **Progress reporting:** The baseline against which OPM was measuring the progress of the program did not reflect the full scope of the project; this increased the risk that variances from planned performance would not be detected.

In 2009, GAO reported that OPM continued to have deficiencies in its cost estimating, progress reporting, and testing practices and made recommendations to address these and other weaknesses in the planning and oversight of the modernization effort. OPM agreed with these recommendations and began to address them, but, in February 2011, it terminated the modernization effort.

In January 2012, OPM released a plan to improve retirement processing that aimed at targeted, incremental improvements rather than a large-scale modernization. Toward this end, OPM has reported hiring new claims-processing staff, taking steps to identify potential process improvements, and working with other agencies to improve data quality. Further, the agency reported making IT improvements that allow retirees to view the status of their accounts and automating parts of the retirement application process. However, the plan reflects a less ambitious goal for retirement processing timeliness and does not address improving or replacing the legacy systems that support retirement processing.

_____ **United States Government Accountability Office**