



Report to the Ranking Member,  
Committee on Homeland Security and  
Governmental Affairs, U.S. Senate

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December 2014

# HUMAN CAPITAL

## OPM Needs to Better Analyze and Manage Dual Compensation Waiver Data

# GAO Highlights

Highlights of [GAO-15-252](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

The federal workforce has a large number of retirement-eligible employees that could potentially result in a loss of skills hindering federal agencies' ability to meet their missions. Agencies can mitigate this challenge by hiring uniformed and civil service retirees. Generally, when an agency reemploys a retired civil service employee, their salary rate is subject to offset by the amount of the annuity received. Upon request, OPM has authority to waive offsets, allowing dual compensation (annuity and full salary). Dual compensation is also permitted under other authorities not administered by OPM, such as the authority provided to Defense.

GAO was asked to provide information on the use of rehired annuitants and OPM's dual compensation waiver authority. This report: (1) describes the trends in rehired annuitants for fiscal years 2004 to 2013; (2) identifies the extent to which OPM analyzes trends in the reasons for waiver requests, and provides guidance to agencies, and (3) evaluates the extent to which OPM ensures agencies' compliance with the conditions under which the waivers were granted. GAO analyzed OPM data, reviewed OPM documentation, and interviewed OPM officials.

## What GAO Recommends

GAO recommends that OPM analyze trends in agencies' use of dual compensation waivers and establish policies and procedures for maintaining waiver documentation. OPM did not concur with the first and partially concurred with the second recommendation. GAO maintains that OPM should implement these actions as discussed in the report.

View [GAO-15-252](#). For more information, contact Yvonne D. Jones at (202) 512-2717 or [jonesy@gao.gov](mailto:jonesy@gao.gov).

December 2014

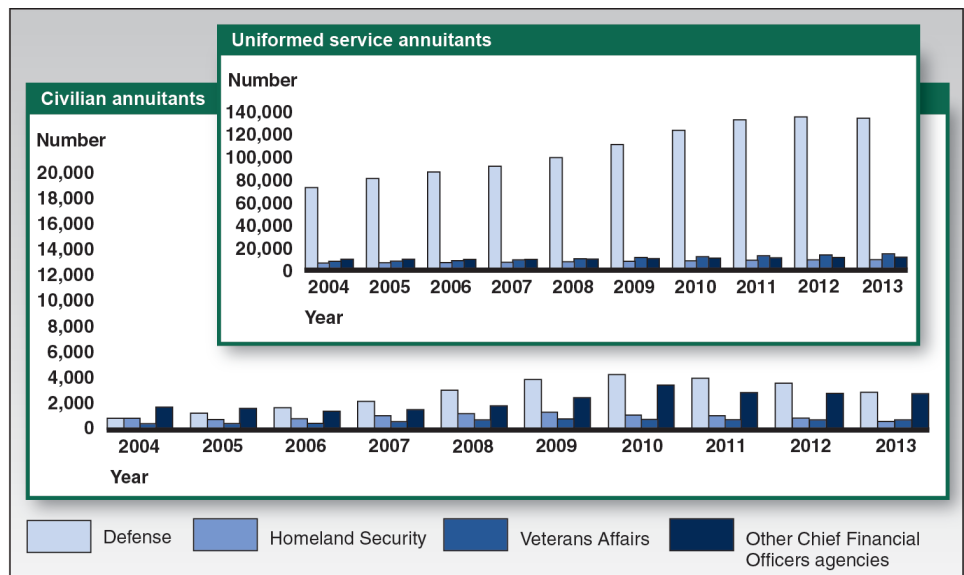
## HUMAN CAPITAL

### OPM Needs to Better Analyze and Manage Dual Compensation Waiver Data

## What GAO Found

Agencies' use of reemployed annuitants has increased, with the number of on-board retired uniformed and civil service annuitants increasing from over 95,000 in fiscal year 2004 to around 171,000 in fiscal year 2013 (from about 5 percent to 8 percent of the federal workforce). This is inclusive of reemployed annuitants with and without dual compensation waivers. The Department of Defense (DOD) accounted for about 80 percent of rehired annuitants in 2013; ninety-eight percent of which were retired uniformed service members whose retirement pay is not subject to reduction. More than half of the total reemployed civilian annuitants in 2013, including DOD's civil service reemployed annuitants, would not be covered under the Office of Personnel Management's (OPM) dual compensation waiver authority.

**Civilian and Uniformed Service Annuitants in the Federal Workforce from 2004 to 2013**



Source: GAO analysis of OPM's Enterprise Human Resource Integration (EHRI) and agencies' data. | GAO-15-252

OPM officials said that they do not conduct trend analysis of dual compensation waiver requests and they provide related guidance only as needed. While OPM is not required to conduct trend analysis, given the increasing number of retirement-eligible federal employees, without such analysis OPM may be missing opportunities to analyze information that can inform decisions about the human capital management tools it develops and provides for agencies government-wide. OPM's ability to conduct trend analysis is limited by its lack of a systematic and reliable process for maintaining dual compensation waiver documentation. The lack of policies and procedures is inconsistent with federal internal control standards and made OPM unable to timely retrieve the documentation for GAO's review.

OPM is not required by statute to monitor agencies' implementation of individual dual compensation waivers to determine whether relevant requirements are followed. OPM regulations provide for limited oversight in delegated situations, where waiver authority is delegated to agencies without a time limit.

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## Abbreviations

CFO Act	Chief Financial Officers Act
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DOD	Department of Defense
EHRI	Enterprise Human Resources Integration
FERS	Federal Employees' Retirement System
NDAAs	National Defense Authorization Act
OPM	Office of Personnel Management
PATCO	Professional, Administrative, Technical, Clerical, Blue Collar, and Other white-collar
VA	Veterans Affairs

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December 29, 2014

The Honorable Tom Coburn, M.D.  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

Dear Dr. Coburn:

The federal workforce is aging. This has created a large number of retirement-eligible employees and a potential loss of skills and experience that could hinder agencies' ability to meet their missions. By September 2017, nearly 31 percent of the federal workforce that was on board in 2012 is projected to be eligible for retirement.<sup>1</sup> Increased federal retirements can pose both human capital challenges and opportunities to improve workforce planning. Strategic workforce planning that is integrated with broader organizational strategic planning is essential for ensuring that agencies have the mix of talent, skill, and experience they need to execute their missions cost-effectively and to achieve program goals, especially as agencies face long-term fiscal constraints.

One tool federal agencies can use to help mitigate this challenge is to rehire retired employees with critical skills and talent. When an employee retires, assuming he or she qualifies under the federal retirement system statutes administered by the Office of Personnel Management (OPM), that retiree receives an annuity. Generally, when an agency rehires a retired civil service employee who receives an annuity (an annuitant), his or her salary rate is subject to a reduction (offset) by the amount of the annuity. By law, agencies may request a waiver of the salary offset from OPM for specific purposes.<sup>2</sup> If such a waiver is granted, the result is sometimes described as "dual compensation" (the annuity plus the full salary). Dual compensation may also be permitted under other authorities

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<sup>1</sup>GAO, *Federal Workforce, Recent Trends in Federal Civilians Employment and Compensation*, [GAO-14-215](#) (Washington, D.C., Jan. 29, 2014).

<sup>2</sup>5 U.S.C. § 8344(i) and § 8468(f). For information on other dual compensation waiver authorities, see GAO, *Reemployment of Retirees: Six Agencies' Use of Dual Compensation Waiver Authority is Limited*, [GAO-12-855R](#) (Washington, D.C.: Sept. 10, 2012).

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not administered by OPM (e.g., the Department of Defense authority under 5 U.S.C. § 9902(g)).

You asked us to provide information on reemployed annuitants in the federal workforce and OPM's management of its dual compensation waiver authority. This report: (1) describes the trends in all reemployed annuitants for fiscal years 2004 to 2013; (2) identifies the extent to which OPM analyzes trends in the reasons for dual compensation waiver requests under its authority, and provides guidance to agencies, as appropriate; and (3) evaluates the extent to which OPM ensures agencies' compliance with the conditions under which the waivers were granted.

To describe the trends in agencies' use of all reemployed annuitants—both individuals who did and did not receive dual compensation, including retired uniformed service members whose retirement or retainer pay is not subject to reduction<sup>3</sup>—we analyzed data from OPM's database, the Enterprise Human Resources Integration (EHRI) Statistical Data Mart, for fiscal years 2004 to 2013.<sup>4</sup> We compared data on the number of annuitants and their types of occupations to all federal employees. In addition, we conducted interviews with OPM officials and reviewed our prior reports on workforce issues. To evaluate the extent to which OPM analyzes trends in the reasons for waiver requests under its authority and provides related guidance, we reviewed OPM's policies and procedures for evaluating waiver requests, analyzed documentation from OPM, and interviewed officials. To evaluate the extent to which OPM ensures compliance with conditions under which the waivers were granted, we reviewed relevant statutes, regulations, and OPM's policies and procedures for reviewing waiver requests, and we interviewed OPM officials. We also reviewed the 16 waiver decision letters that OPM was

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<sup>3</sup>Retired uniformed service members who are employed in federal civilian positions are not typically or commonly described as "reemployed annuitants," but we refer to them as such for ease of reference in this report.

<sup>4</sup>EHRI (formerly Central Personnel Data File—(CPDF)) is the primary government-wide source for information on federal employees. The EHRI data we analyzed cover most executive branch civilian employees, but do not include the U.S. Postal Service, legislative or judicial branch employees or intelligence agencies. OPM transitioned from CPDF to EHRI as of fiscal year 2010. We began our analysis with 2004 data as that is the first year with data from the Department of Homeland Security and ended with 2013, the most recent year for which data are available. Both civil service and uniformed service retirees are included among the types of annuitants we analyzed.

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able to provide. According to OPM officials, the waivers were selected to represent examples of the different purposes for which waivers may be authorized. We were unable to assess whether the examples OPM provided were representative of the universe of waiver requests because of the conditions in which OPM maintains the files. We compared information gathered from reviewing these letters as well as interviews with OPM officials to the statutory and regulatory provisions, OPM's policies and procedures, and internal controls standards for the federal government.<sup>5</sup> For more information on our scope and methodology, see appendix I.

For the purposes of this review, we determined that the data used in our analyses were reliable. We determined that EHRI was sufficiently reliable to report on trends for all reemployed annuitants, but was not reliable enough to describe trends among reemployed annuitants authorized to receive dual compensation compared to those with salary offsets or annuity reductions. Our data reliability assessment included reviewing relevant documentation, conducting interviews with knowledgeable OPM officials, and conducting electronic testing of the data to identify obvious errors or outliers.

We conducted this performance audit from April 2014 to December 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>5</sup>Internal control is defined as an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Internal control, which is synonymous with management control, helps government program managers achieve desired results through effective stewardship of public resources. For more information, see GAO, *Standards for Internal Control in the Federal Government*. [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999) and Office of Management and Budget, *Management Responsibility for Internal Control*, OMB Circular A-123 Revised (Washington, D.C.: Dec. 21, 2004).

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## Background

OPM may waive application of the salary offset requirement for reemployed annuitants—thereby permitting dual compensation—pursuant to 5 U.S.C. § 8344(i) and § 8468(f).<sup>6</sup> Under these authorities, agencies may request that OPM waive the offset requirement for individuals on a case-by-case basis, or, that OPM delegate to the agency head the authority to waive the offset requirement for individuals on a case-by-case basis. The statutes provide OPM the authority to consider and approve agencies' waiver requests. OPM evaluates and may approve agency requests for waivers on a case-by-case basis for four authorized purposes:

- emergency hiring,
- severe recruiting difficulty,
- need to retain an individual, and
- other unusual circumstances.

OPM evaluates and may approve agency requests for delegation of authority to waive salary offsets on a case-by-case basis for two authorized purposes:

- emergency hiring and
- other unusual circumstances.

Agencies requesting waivers or waiver authority must provide purpose-specific information about the circumstances for which the waiver or authority is requested, as summarized in table 1.

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<sup>6</sup>OPM regulations implementing this authority are set forth at 5 C.F.R. part 553.



**Table 1: Authorized Purposes and Required Evidence for Dual Compensation Waiver Applications Submitted to the Office of Personnel Management**

Authorized purpose	Required evidence
Severe recruiting difficulty	This authority is used to bring back a former federal employee who is now an annuitant. Agencies must provide a description of the length, breadth and results of the agency recruitment efforts for the position, including details of the agency’s recruiting efforts and an explanation for why it did not make a selection. Agencies are also required to describe the extent to which they used recruitment incentives to help fill this position and justify the exceptional difficulty in recruiting a qualified candidate. Agencies may use other factors to demonstrate that a legitimate recruiting need cannot be met without the requested waiver, including unusual qualification requirements or working conditions, possibility of job reengineering or contracting, or a need to fill the position without further delay.
Need to retain a particular individual	This authority is used to retain an employee who is currently working for the agency and has indicated that he or she is going to retire. It is intended to permit the employee to complete ongoing work. Agencies must describe the critical nature of the project for which the individual is needed and how it relates to the agency’s mission. Agencies must also describe the potential costs of the project failure or delay, any legislative or presidential deadlines, and any other factors which demonstrate how the project is unusually critical. The agency must also describe how the individual is uniquely qualified and the essential knowledge, skills, and abilities of the individual and show that these abilities could not be acquired by another appointee within a reasonable amount of time. While an agency in this situation is not required to conduct outside recruiting, the request for exception must address why the work could not be assigned to other employees involved with the same project. The agency must show that it will lose the individual’s services unless the waiver is granted.
Emergency hiring	This authority is used to bring back a former federal employee who is now an annuitant. Agencies must describe the military threat, natural disaster, or other unforeseen occurrence (e.g., an outbreak of pandemic influenza) for which the individual’s services are needed, or for which the delegation is needed. Agencies must describe how the emergency poses a direct threat to life or property. For individual waivers, agencies must describe how the individual is uniquely qualified for the emergency response work or explain how the number of positions to be filled or the urgency of response justifies the necessity of the appointment of the individual without further delay.
Other unusual circumstance	This authority is used to bring back a former federal employee who is now an annuitant. Agencies must describe the unusual circumstance, when it first occurred, the length of time the agency expects the unusual circumstance to last, and its impact on the agency’s ability to meet mission requirements. OPM also asks agencies to explain how or why the unusual circumstance could not have been avoided, anticipated, or addressed prior to submitting the waiver request. For individual waivers, agencies must describe the unique knowledge, skills, and abilities possessed by the individual that are essential and could not be acquired by another appointee within a reasonable amount of time.

Source: GAO summary of OPM guidance. | GAO-15-252

In order to obtain delegated authority to waive salary offsets, an agency must describe an emergency or other unusual circumstance comparable to the third and fourth categories above. In addition to the purpose-specific information, agencies must identify the occupations, grades, and locations of positions that might be filled under the delegated authority and provide a statement of expected duration of reemployment to be approved under the requested authority. For individual requests, agencies must identify the individual for whom the exception is requested, the

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appointing authority to be used, and the position to which he or she will be appointed. In addition, the agency must demonstrate that the annuitant will not agree to reemployment without the waiver. Agencies may also seek to extend previously granted delegated authority.

Under 5 C.F.R. 553.201(g), agencies may also request extensions for previously granted individual waivers. Agencies must show that the conditions justifying the original waiver still exist. During this process, OPM asks the agency for the reason why an extension is needed and why other staffing options were unavailable.

Should the delegated agreement between OPM and the agency permit the agency to renew individual waivers granted by the agency, the agency may grant an extension of individual waivers.

There are other authorities permitting dual compensation for which OPM does not exercise approval authority or otherwise regulate. For example, government-wide waiver authority was contained in the National Defense Authorization Act (NDAA) for Fiscal Year 2010 and allows agencies to waive offset requirements on a temporary basis.<sup>7</sup> Although that authority was set to expire in October 2014, Congress recently passed an extension of that authority through December 2019. In 2012, we reported on the use of the NDAA authority and a few examples of other waiver authorities which OPM does not manage, including waiver authorities unique to Foreign Service annuitants and the Nuclear Regulatory Commission.<sup>8</sup> Additionally, the Department of Defense (DOD) does not seek waiver approval from OPM because DOD has its own authority which permits the reemployment of annuitants without subjecting salaries to offset.<sup>9</sup>

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<sup>7</sup>Section 1122 of Pub. L. No. 111-84, div. A, title XI, 123 Stat. 2190, 2505-09 (Oct. 28, 2009).

<sup>8</sup>[GAO-12-855R](#).

<sup>9</sup>5 U.S.C. § 9902(g).

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## Use of Reemployed Annuitants Increased Between 2004 and 2013 with Most Concentrated in the Department of Defense

Our analysis of OPM's data indicate that agencies' use of reemployed annuitants has increased, with the number of on-board uniformed and civil service annuitants rising from over 95,000 in September 2004 to around 171,000 in September 2013 (from about 5 percent to 8 percent of the federal workforce).<sup>10</sup> This is inclusive of reemployed annuitants with and without dual compensation waivers, as well as retired uniformed service members whose retirement or retainer pay is not subject to reduction.<sup>11</sup> More than half of these reemployed civilian annuitants, specifically DOD's civil service reemployed annuitants, would not be covered under OPM's waiver authority. DOD accounted for 83 percent of the increase in annuitants from 2004 to 2013— of this increase, approximately 3 percent were civil service annuitants and about 98 percent were uniformed service annuitants. In comparison, our analysis of OPM's data found that the overall size of the permanent career federal workforce, as reflected in the number of employees in the 24 Chief Financial Officers (CFO) Act agencies, increased about 11 percent over the same period and that DOD accounted for about 40 percent of this increase.<sup>12</sup> The increase in reemployed annuitants reflects agencies' greater reliance on all types of annuitants, including former uniformed service members covered by military pension systems as well as retirees from federal civilian service covered by the Federal Employees' Retirement System (FERS) and the Civil Service Retirement System (CSRS). Use of annuitants was concentrated in the three largest agencies—DOD, Veterans Affairs (VA), and Homeland Security (DHS)—

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<sup>10</sup>OPM's EHRI status data are point in time data (as of September 30<sup>th</sup> each year), so annuitants whose terms were less than a year and did not overlap with this point in time are not reflected in these numbers. As a result, our analysis may understate the total number of rehired annuitants across the fiscal year.

<sup>11</sup>Since 1999, the retirement or retainer pay of a retired member of the uniformed services is no longer subject to reduction upon employment in a federal civilian position. See, section 651 of the National Defense Authorization Act for Fiscal Year 2000, Pub. L. No. 106-65 (Oct. 5, 1999).

<sup>12</sup>The CFO Act agencies are the 24 executive branch agencies covered by the CFO Act of 1990, as amended, and listed at 31 U.S.C. § 901(b). The 24 CFO Act agencies are the U.S. Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs, as well as the U.S. Agency for International Development, Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management, Small Business Administration, and Social Security Administration. These agencies account for a very high proportion of the total federal labor force.

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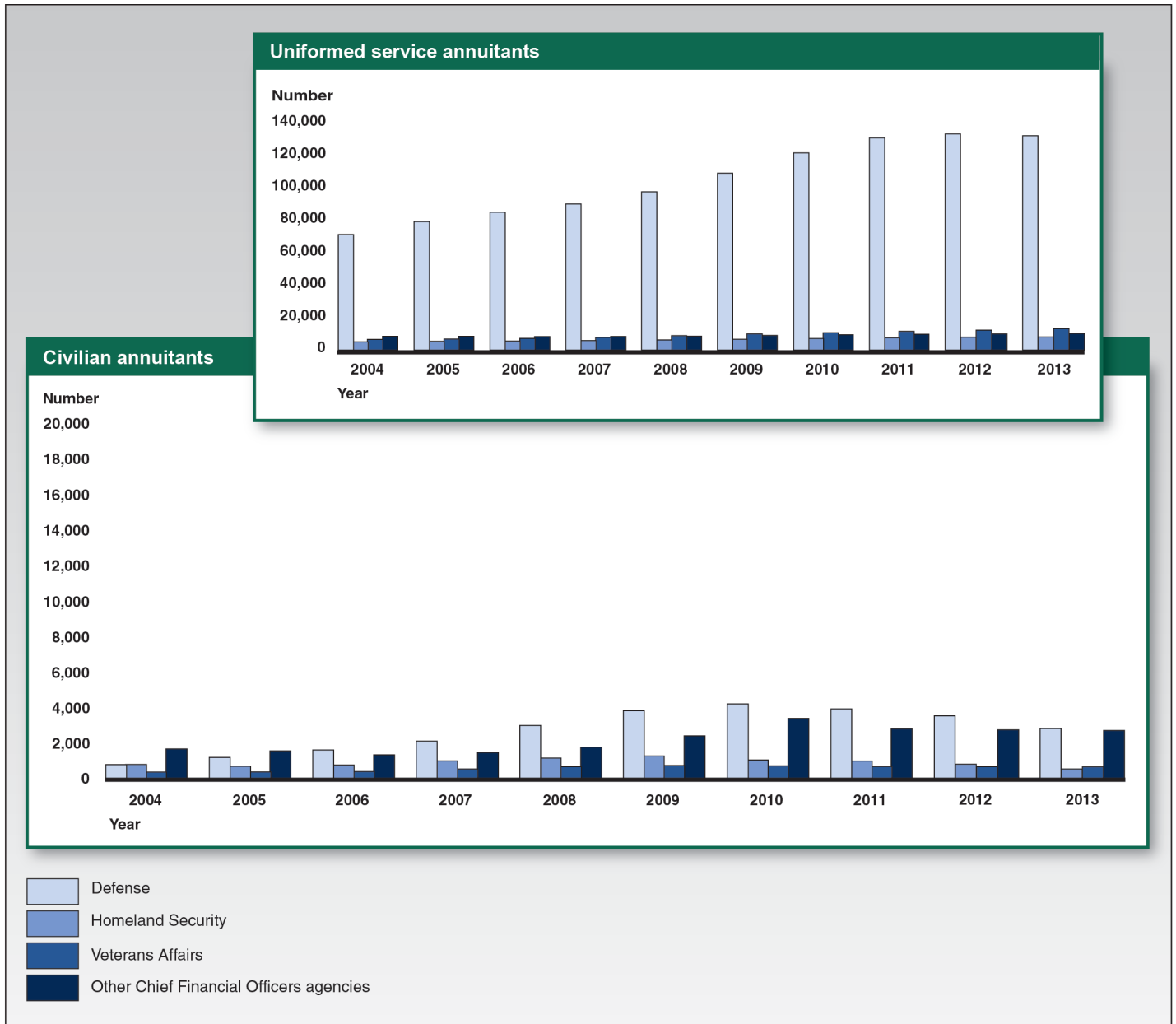
which collectively employed about 92 percent of annuitants in 2013, with nearly 80 percent employed at DOD alone. Most of the increased reliance on annuitants in DOD is tied to reemployment of uniformed service members: 98 percent of DOD's annuitants were retired uniformed service members.

Our analysis also indicates that the other 21 CFO Act agencies saw increases in reemployed annuitants, as well. For these agencies, the number of on-board annuitants increased from over 23,000 in 2004 to about 36,000 in 2013 (about 2 to 3 percent of these agencies' workforce). Although these agencies collectively relied more heavily on civil service annuitants than VA and DHS, reemployed uniformed service members still comprised nearly 79 percent of the on-board annuitants among these agencies in 2013. Greater reliance on annuitants suggests recent losses in key staff and institutional knowledge due to retirement. The number of voluntary retirements at the 24 CFO Act agencies increased in recent years, from 41,735 employees in 2004 to 58,313 in 2013 (2.4 to 3 percent of these agencies' workforce). In addition, many of these agencies experienced hiring freezes between 2011 and 2013, limiting their options for replacing staff who retired or separated for other reasons. In response to these circumstances and the increasing size of the retirement eligible workforce—about 30 percent eligible to retire in five years—agencies appear to have turned to annuitants to bridge potential staffing gaps.<sup>13</sup> Figure 1 shows the number of annuitants in the federal workforce from 2004 to 2013.

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<sup>13</sup> [GAO-14-215](#).

**Figure 1: Civilian and Uniformed Service Annuitants in the Federal Workforce from 2004 to 2013**



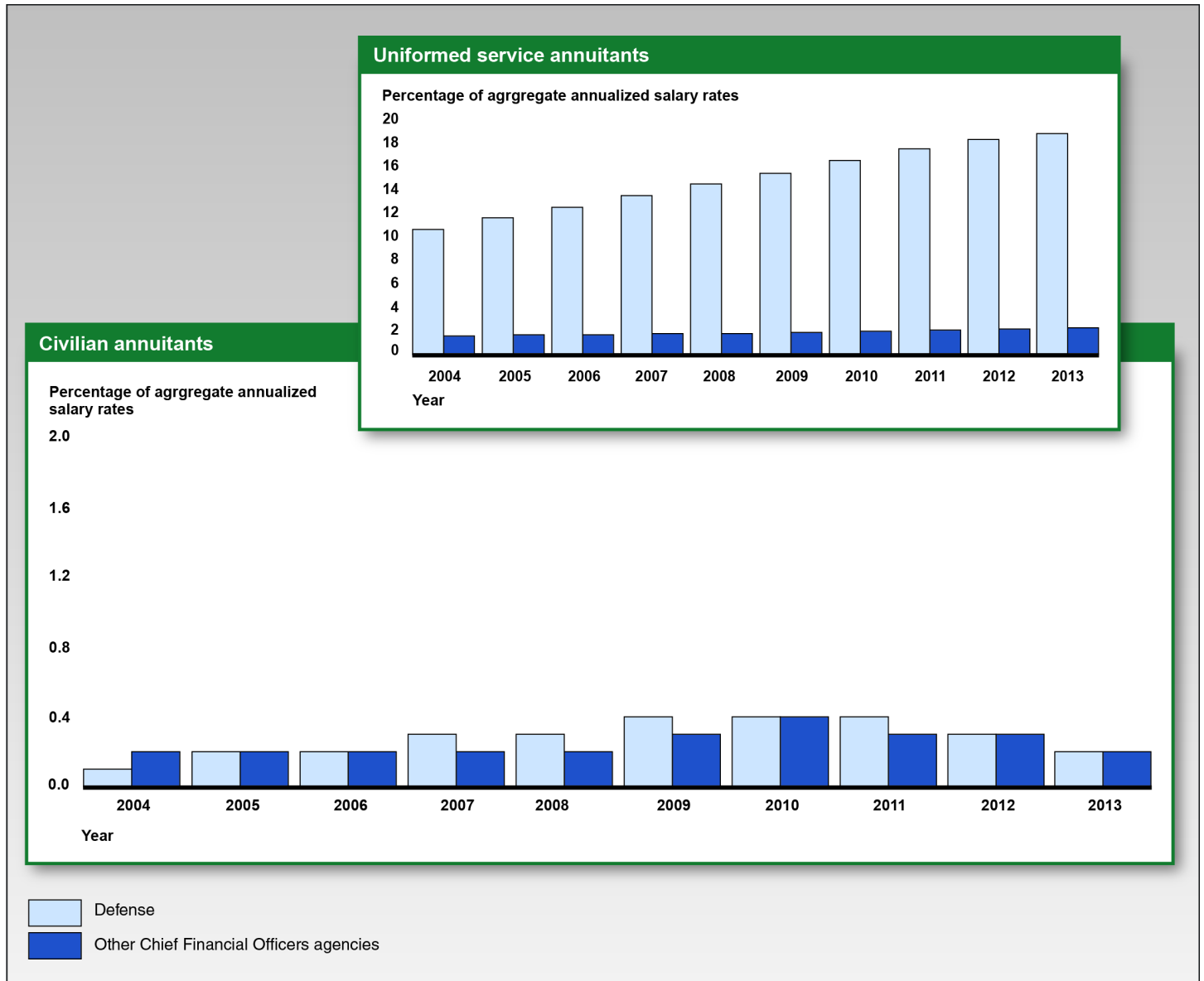
Source: GAO analysis of OPM's Enterprise Human Resource Integration (EHRI) and agencies' data. | GAO-15-252

Note: Data reflect all types of on-board annuitants as of September 30th of each fiscal year, including annuitants covered by civilian or military retirement systems.

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Our analysis of OPM data shows that in 2013, 83 percent of on-board annuitants were in administrative, technical, or professional occupations, which include positions related to administration and management, information technology, and engineering, among others. Among civil service annuitants on-board in 2013, aggregate annualized salaries were highest in DOD, at \$113.4 million (0.2 percent of DOD employees' aggregate salaries) compared to \$246.6 million among the other CFO act agencies collectively (or 0.2 percent of employees' aggregate salaries). Among uniformed service annuitants on-board in 2013, aggregate annualized salaries were also highest in DOD, at \$10.2 billion (18.9 percent of DOD employees' aggregate salaries) compared to \$2.3 billion among the other CFO Act agencies collectively (2.3 percent of employees' aggregate salaries). Similar to career employees, reemployed annuitants generally had full-time schedules. However, most civil service annuitants were also on term limited appointments, generally serving from one to five years after retirement. Figure 2 shows the salary costs of annuitants as a percentage of agencies aggregate annualized salary rates.

**Figure 2: Aggregate Annualized Salary Rates for Annuitants as a Percentage of Agencies' Aggregate Annualized Salary Rates from 2004 to 2013**



Source: GAO analysis of OPM's Enterprise Human Resource Integration (EHRI) and agencies' data. | GAO-15-252

Note: Data reflect all types of on-board annuitants as of September 30th of each fiscal year, including annuitants covered by civilian or military retirement systems. Percentages are based on the sum of annualized salary rates of on-board annuitants compared to those of non-annuitants.

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## OPM Does Not Conduct Trend Analysis of Dual Compensation Waiver Requests and Has Not Developed Policies and Procedures to Manage Waiver Documentation

OPM officials said that they do not conduct trend analysis of dual compensation waiver requests because each waiver is so unique that there is no trend or pattern to analyze. However, in our review of the small sample of 16 waiver request submissions provided by OPM, we found that “other unusual circumstance” was among the most often cited reasons for requesting a waiver and agencies were requesting waivers for individuals in administrative or professional occupations. An example of an unusual circumstance cited by agencies requesting a delegation is an urgent need to rehire annuitants to support the hiring of critical staff. For example, DHS cited a need to rehire investigative program specialists to support the hiring of law enforcement officers to meet a Congressional mandate. In another example, OPM cited a need to hire retired judges to help review applications for administrative law judge vacancies. This suggests that there may be some benefit to conducting analysis of these waivers because there may be trends that OPM is currently not aware of. While there is no specific statutory requirement for OPM to conduct trend analysis, without such analysis, OPM may be missing opportunities to analyze this information that can help guide the human capital management tools and guidance it develops and provides to agencies government-wide. Ensuring OPM is identifying challenges and assisting agencies as issues emerge is especially important given the increasing number of retirement-eligible employees across the federal government. As we have previously reported, unanticipated retirements could cause skills gaps to further widen and adversely impact the ability of agencies’ to carry out their diverse responsibilities.<sup>14</sup>

With regard to guidance provided to agencies, OPM officials said that they occasionally identify or provide other tools or resources for human capital workforce management to agencies requesting waivers, but they do not do so routinely. For example, OPM may provide information on advertising tools or other resources to agencies experiencing difficulty hiring qualified candidates. OPM officials said that agency officials submitting waiver requests are generally familiar with OPM’s tools or guidance. However, we have previously found that agencies’ chief human capital officers were either unfamiliar with some OPM tools or guidance,

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<sup>14</sup>GAO, *Human Capital Management: Effectively Implementing Reforms and Closing Critical Skills Gaps Are Key to Addressing Federal Workforce Challenges*, [GAO-12-1023T](#) (Washington, D.C.: Sept. 19, 2012).



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or found the tools or guidance fell short of their agencies' needs.<sup>15</sup> OPM officials said that on infrequent occasions they refer agencies that make repeated requests to extend dual compensation waivers to OPM's workforce planning division for consultation on how to use its workforce management tools more strategically. As we have recently reported, in an era of limited fiscal resources, it is critical that OPM and agencies are developing and using the most cost-effective tools to ensure agencies can meet their missions.<sup>16</sup>

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### OPM Has Not Developed Effective Policies and Procedures for Managing Waiver Request Documentation

We found that OPM lacks effective policies and procedures for documenting waiver requests which may hamper its ability to conduct trend analysis. OPM officials said that they do not have a systematic and reliable process for maintaining dual compensation waiver documentation. Specifically, OPM officials said they do not have a standard policy for how dual compensation waivers are labeled or saved and, therefore must individually review thousands of electronic documents in their document management system database to identify the waiver records. Officials said the waiver requests and supporting materials are submitted to OPM and assigned to individuals for preliminary review and analysis. OPM staff save these in the document management system, but save documents inconsistently, sometimes merging the request and documentation and saving the evidence separately, without any standard labeling. Officials said that staff create a routing slip, called an executive decision summary, for each file. OPM staff use the routing slip to record the names of officials and dates of their review to recommend approval or denial. However the routing slip may or may not be saved with the corresponding waiver materials and does not include summary information about the waiver request.

Federal internal control standards state that agencies should clearly document significant transactions and events and the documentation should be readily available for examination. These actions help organizations run their operations efficiently and effectively, report reliable information about their operations, and comply with applicable laws and

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<sup>15</sup>GAO, *Human Capital: Strategies to Help Agencies Meet Their Mission in an Era of Highly Constrained Resources*, [GAO-14-168](#) (Washington, D.C.: May 7, 2014).

<sup>16</sup>[GAO-14-168](#).

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regulations.<sup>17</sup> Agencies can achieve this by developing and implementing policies ensuring accountability for records, appropriate documentation of transactions, and sufficient information and communication about programs. However, OPM does not have such a policy to guide its management of the dual compensation waiver files. As a result, OPM was unable to retrieve these files in a timely manner for our review.

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## OPM Limits Duration of Waivers Approved In Lieu of Monitoring Agency Compliance

According to OPM officials, OPM does not monitor the agency's implementation of an individual dual compensation waiver once a waiver is granted. The officials said OPM may require agencies to submit documentation before approving delegated waiver authority in order to determine whether the agency is complying with relevant requirements. OPM officials said OPM's role is limited to application review and approval of dual compensation waiver requests and extensions, and that it does not have a role in their implementation or oversight. OPM officials also said individual and delegated waiver requests may be approved, pending specific actions first taken by the requesting agency. However, OPM officials said it is the requesting agency's responsibility to ensure that it meets the conditions outlined in the dual compensation waiver approval letter. Officials said there was one exception—OPM requires and reviews evidence from agencies requesting approval to extend a previously granted waiver beyond the original term to determine if the circumstances justifying the waiver still exist.

The statutory provisions authorizing OPM to grant individual and delegated waiver requests do not specifically require OPM to conduct oversight or monitoring of how agencies implement the authority granted by OPM. However, OPM is generally required to maintain oversight over delegated activities under 5 U.S.C. § 1104(b)(2). Accordingly, OPM regulations recognize the need for some oversight where OPM delegates waiver authority to an agency with no time limit on that grant of authority. In those instances, OPM regulations state that it may terminate an agency's delegated authority if it determines that the circumstances justifying the delegation have changed substantially, or if the agency has failed to manage the authority in accordance with the law, regulations, or the terms of the agreement.<sup>18</sup> OPM officials stated that they do establish

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<sup>17</sup>[GAO/AIMD-00-21.3.1](#).

<sup>18</sup>5 C.F.R. § 553.202(c).

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time limits on delegation agreements and, in the one delegated waiver example OPM provided for our review, the waiver was authorized for a specific period. Given OPM's document management challenges, as previously discussed, OPM was unable to provide us with a representative sample of waiver approval letters to determine whether OPM consistently established time limits on the delegation of waiver authority provided to agencies and, if not, whether there were instances where monitoring or oversight was necessary.

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## Conclusions

Given the budgetary and long-term fiscal challenges facing the nation, agencies must identify options to meet their missions with fewer resources. While federal agencies shoulder this responsibility, OPM, through its authority to review and approve dual compensation waivers, as well as its responsibility to assist agencies with all aspects of human capital management, should identify trends in waiver use and develop cost-effective human capital tools and resources, where appropriate. These objectives cannot be achieved without analysis of dual compensation waiver information. However, OPM has not developed adequate policies and procedures for the management of dual compensation waiver documentation. Given the increasing use of reemployed annuitants and the impending wave of retirements, OPM is missing an opportunity to leverage the information gained through the review and approval of dual compensation waivers to inform and improve upon the assistance it provides federal agencies in their management of human capital.

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## Recommendations for Executive Action

To improve OPM's assistance to agencies and management of its dual compensation waiver program, we recommend that the Director of OPM take the following two actions:

1. Analyze dual compensation waivers to identify trends that can inform OPM's human capital management tools.
2. Establish policies and procedures for documenting the dual compensation waiver review process.

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## Agency Comments and Our Evaluation

We provided a draft of this product to OPM for review and comment. In written comments, which are reprinted in appendix II, OPM did not concur with one recommendation and partially concurred with one. OPM also provided technical comments, which we incorporated as appropriate.

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OPM stated that it did not concur with our recommendation to analyze dual compensation waivers to identify trends that can inform OPM's human capital management tools. OPM noted that the waivers are authorized for specific purposes and that the statute does not require OPM to conduct any trend analysis. OPM also noted that it does not grant a large number of waivers and that those patterns are identified when particular circumstances, like natural disasters prompt agencies to seek waivers for similar issues. As noted in the report, we agree that there are clearly defined purposes and that there is no statutory requirement for OPM to conduct a trend analysis. While our analysis did find that most of rehired annuitants were likely hired under an authority maintained by the Department of Defense, OPM was unable to provide evidence of the number of individual or delegated waivers that it had approved in any year, including currently active waivers. Further, given the likelihood of future agency requests for dual compensation waivers for natural disasters, the patterns OPM identified after Hurricane Katrina and potential lessons learned are evidence of the kind of insight that could be informing OPM's other human capital management tools or resources. We continue to believe that OPM should analyze waivers and identify trends that could improve its other tools.

OPM stated that it partially concurred with our recommendation to establish policies and procedures for documenting the dual compensation waiver review process. OPM noted that it has policies and procedures for adjudicating waivers and that it is in compliance with the National Archives and Records Administration policies. However, OPM was unable to provide evidence of any such policies and procedures. In fact, OPM could not demonstrate adherence to federal internal control standards stating agencies should clearly document significant transactions and events and the documentation should be readily available for examination. Further, while OPM was able to ultimately produce 16 waiver decision letters, it was unable to provide a single complete, agency waiver application along with the supporting documentation and corresponding OPM decision letter. OPM also could not identify the total number of waivers for any given time period, meaning that even if OPM individually reviewed the thousands of documents in its document management system, it would not know if all materials were maintained appropriately. We continue to believe that OPM should take action to fully address this recommendation and comply with federal internal control standards.

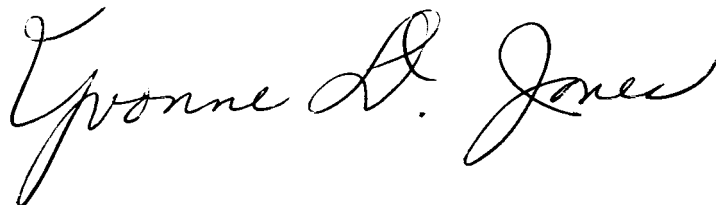
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We are sending copies of this report to the appropriate congressional committees and to the Director of the Office of Personnel Management. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 7 days from the report date. At that time, we will send copies to the Committee on Homeland Security and Government Affairs. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report please contact me at (202) 512-2717 or [jonesy@gao.gov](mailto:jonesy@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink that reads "Yvonne D. Jones". The signature is written in a cursive, flowing style.

Yvonne D. Jones  
Director

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# Appendix I: Scope and Methodology

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To analyze reemployed annuitant trends, we used the Office of Personnel Management's (OPM) Enterprise Human Resources Integration (EHRI) Statistical Data Mart,<sup>1</sup> which contains personnel action and on board data for most federal civilian employees. We analyzed agency-level EHRI data for the 24 Chief Financial Officers (CFO) Act agencies, which represent the major departments (such as the Department of Defense) and most of the executive branch workforce.<sup>2</sup> We analyzed EHRI data starting with fiscal year 2004 because personnel data for the Department of Homeland Security (which was formed in 2003) had stabilized by 2004. We selected 2013 as the endpoint because it was the most recent, complete fiscal year of data available during most of our review.

We classified annuitants in two ways:

1. Military only annuitants (retired uniformed service officers or service enlisted members who are receiving retired or retainer pay).<sup>3</sup>
2. Military and Federal Employees' Retirement System or Civil Service Retirement System annuitants (including individuals with all valid EHRI annuitant codes).

We analyzed on-board trends for most of the executive branch workforce, including temporary and term-limited employees. However, we focused on career permanent employees in our analysis of separation trends and retirement eligibility because these employees comprise most of the federal workforce and become eligible to retire with a pension, for which temporary and term limited employees are ineligible. To calculate the number of federal civilian employees, we included all on board staff, regardless of their pay status. In addition, we excluded Foreign Service workers at the State Department since those employees were not included in OPM data for the years after 2004.

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<sup>1</sup>EHRI (formerly Central Personnel Data File (CPDF)) is the primary government-wide source for information on federal employees. The EHRI data we analyzed include executive branch civilian employees, and do not include the postal service, legislative or judicial branch employees, or intelligence agencies. OPM transitioned from CPDF to EHRI as of fiscal year 2010.

<sup>2</sup>The CFO Act agencies are the executive branch agencies listed at 31 U.S.C. § 901(b).

<sup>3</sup> The uniformed services are the Army, Navy, Air Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, and the Public Health Service.

We examined on-board and annuitant counts, voluntary separations, adjusted base pay, and retirement eligibility trends by agency, and occupation. Occupational categories include Professional, Administrative, Technical, Clerical, Blue Collar, and Other white-collar (PATCO) groupings and are defined by the educational requirements of the occupation and the subject matter and level of difficulty or responsibility of the work assigned. Occupations within each category are defined by OPM.

To calculate voluntary separation rates, we added the number of career permanent employees with personnel actions indicating they had separated from federal service with either mandatory or voluntary retirement personnel actions and divided that by the 2-year on board average. To calculate retirement eligibility for the next 5 years, we computed the date at which the employee would be eligible for voluntary retirement at an unreduced annuity, using age at hire, years of service, birth date, and retirement plan coverage.

We used the EHRI adjusted base pay to examine the annualized salaries of on-board individuals. It is important to note that this amount does not necessarily reflect the actual amount annuitants were paid in the fiscal year, but rather, the total annualized salary of annuitants in the data.

We assessed the reliability of the EHRI data through electronic testing to identify missing data, out of range values, and logical inconsistencies. We also reviewed our prior work assessing the reliability of these data<sup>3</sup> and interviewed OPM officials knowledgeable about the data to discuss the data's accuracy and the steps OPM takes to ensure reliability. On the basis of this assessment, we believe the EHRI data we used are sufficiently reliable for the purpose of this report.<sup>4</sup>

To evaluate the extent to which OPM analyzes trends in the reasons for waiver requests and provides related guidance, we reviewed OPM's

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<sup>4</sup>We previously reported that government wide data from CPDF were 96 percent or more accurate. See GAO, *OPM's Central Personnel Data File: Data Appear Sufficiently Reliable to Meet Most Customer Needs*, [GAO/GGD-98-199](#) (Washington, D.C.: Sept. 30, 1998). Also, in a document dated February 28, 2008, an OPM official confirmed that OPM continues to follow the CPDF data quality standards and procedures contained in our 1998 report.

policies and procedures for evaluating waiver requests, analyzed documentation from OPM, and interviewed officials.

To evaluate the extent to which OPM ensures compliance with conditions under which the waivers were granted, we reviewed relevant statutes, regulations, OPM's policies and procedures for reviewing waiver requests, and interviewed OPM officials. We also reviewed the 16 waiver decision letters that OPM was able to provide. According to OPM officials, the waivers were selected to represent examples of the types of requests for the different authorized waiver purposes. We were unable to assess whether the examples OPM provided to us were representative of the universe of waiver requests because of the conditions in which the files are maintained. We compared information gathered from reviewing these letters as well as interviews with OPM officials to the statutory and regulatory provisions, OPM's policies and procedures, and internal controls standards for the federal government.<sup>5</sup>

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<sup>5</sup>Internal controls are defined as an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Internal control, which is synonymous with management control, helps government program managers achieve desired results through effective stewardship of public resources. For more information about our and the U.S. Office of Management and Budget's (OMB) internal control frameworks, see *Standards for Internal Control in the Federal Government*. [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999) and OMB Circular A-123 Revised.



# Appendix II: Comments from the Office of Personnel Management



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

DEC 17 2014

Ms. Yvonne J. Jones  
Director, Strategic Issues  
U.S. Government Accountability Office  
441 G Street, NW  
Washington DC 20548

Dear Ms. Jones:

Thank you for providing the U.S. Office of Personnel Management (OPM) the opportunity to comment on the Government Accountability Office (GAO) draft report, "GAO-15-252 OPM Needs to Better Analyze and Manage Dual Compensation Waiver Data." You recommended that to improve OPM's assistance to agencies and management of the dual compensation waiver program, the Director of OPM take two actions. Below please find OPM's responses to both of these recommendations.

**Recommendation 1:** Analyze dual compensation waivers to identify trends that can inform OPM's human capital management tools.

OPM does not concur with this recommendation, because it sees no need for such an analysis. The statutes conferring responsibility on OPM for certain salary offset waivers, and the regulations promulgated to implement those statutes, recognize that such waivers are appropriate only in a handful of categories of cases with which OPM is already intimately familiar. The statute does not require or even appear to contemplate that OPM should conduct any trend analysis of the requests we see. And OPM's waiver authority, by definition, is an exception from the ordinary rule, designed as a last resort when other options are unavailable, and was not, in our view, intended to be used as a human capital tool of wide applicability. The number of waivers granted by OPM is not large, and the circumstances that prompt agencies to seek them out vary from agency to agency and from instance to instance, in such a way that individual cases are not likely to yield evidence of broad trends going beyond the broad categories set out in the governing law. When particular circumstances do prompt agencies to seek waivers simultaneously for similar reasons, as happened during the period after Hurricane Katrina, for example, and again after enactment of the American Recovery and Reinvestment Act of 2009, OPM is keenly aware. Only a handful of staff handle these matters and a broad pattern like this is immediately noticeable. In the instances referenced, for example, OPM took steps to make agencies' aware of the option and streamline the adjudication of their requests. Where we think there may be applicability to more than one agency, we advise other agencies accordingly through a variety of venues (e.g., the Chief Human Capital Officer's Council). We note as well that our experience with this authority guided the crafting of our templates and guidance (which have been disseminated to agencies and have been available on the OPM website for several years).

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**Appendix II: Comments from the  
Office of Personnel Management**

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As noted above, OPM processes a relatively small number of waiver requests each year. Based upon the data GAO compiled, it appears that the vast majority of retirees who are reemployed in the Federal civilian service are brought back with salary offsets or hired in conjunction with separate authorities not administered by OPM -- e.g., the authority referenced at p. 6 of the report that permits the Department of Defense to re-employ annuitants without offsetting salary or the authority granted directly to agencies under the National Defense Authorization Act of 2010. (The draft report notes that 80% of all the re-employing of annuitants in fiscal year 2013 were processed by the Department of Defense). OPM's limited role and lack of control over the other waiver authorities make it difficult to see real value to the civil service in OPM undertaking a trend analysis concerning how it has used its own authority.


**Recommendation 2:** Establish policies and procedures for documenting the dual compensation waiver review process.

OPM partially concurs with this recommendation. OPM already has policies and procedures for documenting the salary offset waivers we adjudicate; these are contained/described in our Document Management System (DMS). And the documents developed for each case are maintained in our DMS in compliance with the National Archives and Records Administration policies, standards, and requirements. We acknowledge, however, that our lack of a standard method for titling these case files makes it more difficult than it should be to identify and retrieve them promptly. Accordingly, OPM will undertake to adopt standard conventions for captioning salary offset waiver packages within its document management system.

Technical comments are also enclosed.

Thank you for the time and effort that went into developing this report, and for the opportunity to provide our comments. Please contact Janet Barnes, Director, Internal Oversight & Compliance at (202) 606-3207 should your office require additional information.

Sincerely,



Mark D. Reinhold  
Associate Director

Enclosure

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Yvonne D. Jones, (202) 512-2717 or [jonesy@gao.gov](mailto:jonesy@gao.gov)

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## Staff Acknowledgment

In addition to the individual named above, Chelsa Gurkin (Assistant Director), Anthony Patterson (Analyst-in-Charge), Vida Awumey, Sara Daleski, Karin Fangman, Kimberly McGatlin, and Rebecca Shea made major contributions to this report.

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