



**UNITED STATES OFFICE OF PERSONNEL MANAGEMENT**

**STATEMENT OF  
CHARLES D. GRIMES III  
CHIEF OPERATING OFFICER  
U.S. OFFICE OF PERSONNEL MANAGEMENT**

before the

**SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE & CENSUS,  
UNITED STATES HOUSE OF REPRESENTATIVES**

on

**THE OFFICE OF PERSONNEL MANAGEMENT'S REVOLVING FUND**

**June 5, 2013**

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Chairman Farenthold, Ranking Member Lynch, and Members of the Subcommittee, thank you for the opportunity to testify today on the Office of Personnel Management's (OPM) revolving fund programs.

OPM provides a range of human resources management services to other Federal agencies on a reimbursable basis, and the payments for those services are consolidated under OPM's revolving fund. The revolving fund was first established by Congress in 1952 to allow OPM's predecessor, the U.S. Civil Service Commission, to recover the costs of conducting full background investigations for other Federal agencies.<sup>1</sup> In 1969, Congress expanded the scope of reimbursable services for which the revolving fund could be used to include training and other functions that the Commission was authorized or required to conduct.<sup>2</sup> After Congress removed restrictions on

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<sup>1</sup> 66 Stat. 107.

<sup>2</sup> Public Law 91-189.

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agencies to perform their own personnel management functions under delegated authority from OPM in 1995, the revolving fund was further expanded to authorize OPM to provide assistance in such functions at the request of agencies on a reimbursable basis.<sup>3</sup>

The revolving fund, funded through fees charged to other agencies for services provided on an actual cost basis, is similar to many other such funds across the Federal government, including working capital funds at the Department of Justice, the United States Navy, and the Department of Labor. The aim of the revolving fund is not to generate profit, but instead to break even over a reasonable amount of time, generally defined as three years. Providing human capital services and training for Federal employees, conducting background checks, and other duties funded by the revolving fund are functions integral to OPM's core mission of recruiting and retaining a high performing workforce to protect and advance the interests of American citizens. While the revolving fund includes a diverse range of programs, including Human Resources Tools and Technology (HRTT), Enterprise Human Resources Integration (EHRI), the Presidential Management Fellows Program (PMF), and Human Resources Line of Business (HRLoB), the three most public faces funded by the revolving fund are Federal Investigative Services (FIS), Human Resources Solutions (HRS), and USAJOBS.

**Federal Investigative Services**

OPM's background investigation program's performance is strong, as demonstrated by years of providing timely and quality products to our customer agencies. We have no backlogs, are meeting timeliness mandates, and have increased automation. As a consequence, benefits across

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<sup>3</sup> Public Law 104-208.

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agencies have been realized, amounting to over \$26 billion in cost-avoidance and efficiency. Additionally, the Government Accountability Office had long listed the government personnel security clearance program at the Department of Defense (DOD) on their annual high risk list. Since OPM assumed responsibility for the background investigation function from DOD in February 2005, this program was removed from the list in January 2011 as a result of a major effort including OPM, the Office of Management and Budget (OMB), DOD, and the Office of the Director of National Intelligence (ODNI). FIS, one of the largest operations in OPM, is comprised of nearly 10,000 employees, including both Federal employees and contractors. In FY12, OPM completed nearly 615,000 initial security clearance investigations.

OPM promotes quality in FIS through reorganized functions that emphasize the importance of quality in all aspects of FIS's operations. We are co-chairing the Interagency Quality Assessment Working Group to establish an industry and government-wide standard for assessing the quality of background investigations. The working group brings together over 20 Federal agencies and involves both Investigative Service Providers and adjudicating agencies. The working group's primary objectives are to bring consistency to investigative quality expectations and to standardize the evaluation of quality within the Federal government. FIS has also engaged our customers via the Customer Satisfaction Survey (the "Survey"). The Survey for FY11, conducted in early FY12, reflected an overall 98 percent customer satisfaction rating. As part of the FY12 strategic goal of delivering quality, we followed up on input from the Survey within one week of receiving the Survey responses. In the process, we addressed all quality specific issues raised in the follow-up dialog by the end of the second quarter of FY12.

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The main cost drivers in FIS are process reforms, timeliness, and the present workload mix. Reform initiatives have resulted in enhancements to better share reciprocity data, collect more information up front in the investigative process, expand automated records sources, and standardize investigator training. The resources invested in process reform are off-set by the government-wide benefit and cost avoidance savings by putting people to work quicker using high quality investigative products.

The Intelligence Reform and Terrorism Prevention Act (IRTPA) of 2004 established Timeliness Requirements for Investigation and Adjudication. FIS has been able to meet and then exceed IRTPA mandates over the years, achieving unprecedented timeliness, by increasing Federal staffing, broadening the use of overtime, and adding other temporary and permanent investigative resources. At the same time, FIS has been able to eliminate the inherited backlog from DOD and return inventory levels to a healthy state. For FY12, FIS continued to meet the IRTPA mandate to complete the fastest 90 percent of initial national security investigations in an average of 40 days. Overall, we have succeeded in improving timeliness and keeping prices stable.

The shift in case requests towards more costly fieldwork-intensive investigations impacts FIS's business costs. These cases have more item checks to complete, and also involve a higher percentage of items that are fieldwork and manually intensive, requiring a greater level of effort and time to complete. OPM is resourced to meet the investigative timeliness and quality standards based on the projected needs of the Executive Branch community we service.

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OPM uses aggregated operating costs to determine product fees. FIS officials estimate the total operating costs for the upcoming fiscal year, which include but are not limited to: contracts; salaries and benefits for Federal full-time employees; IT infrastructure maintenance and upgrades; rents, maintenance and equipment; and fees associated with providing background investigations, such as payments to the Federal Bureau of Investigation and credit bureaus for records. In estimating revenue, FIS officials take into account investigation projection numbers which are based on historical workload data. Projections are then broken down by investigation type. Prices for the upcoming fiscal year are determined by multiplying the investigation projections by the current fiscal year prices to see if the estimated costs are covered. If the estimated revenue does not equal estimated costs, then prices are increased until they are equal.

**Human Resources Solutions**

HRS provides human resources products and services through a blend of private and public sector offerings to meet the needs of the Federal Government. HRS is “by Government, for Government” and is uniquely positioned to help Federal Agencies meet recruitment, testing, and training needs. As Federal employees, the OPM HRS team has expert knowledge of and extensive experience with Federal policy and operating environments, and designs and delivers solutions uniquely suited for Government. In recent years, HRS has worked with OPM’s Office of the Inspector General (OIG) to become even more transparent and efficient.

OPM HRS offers agencies the opportunity to access world class consulting experience from pre-competed private sector companies through our Training and Management

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Assistance (TMA) contracting vehicle. Pre-competition allows agencies to save valuable time and resources in gaining access to consulting experts, while also ensuring observation of OPM's contracting requirements.

Included under HRS are OPM's Administrative Law Judge (ALJ) Program Office, the TMA Program, the Federal Staffing Group (FSG), the Center for Leadership Development (CLD), and Human Resources Strategy and Evaluation Solutions (HRSES).

Under the ALJ Program Office, HRS manages the recruitment, assessment, and selection of ALJs, and provides HR services to current ALJs. The TMA Program provides assisted acquisition services in the areas of human capital strategy, recruitment and branding, and employee training solutions. FSG offers a variety of hiring and staffing services, such as nationwide testing and examining, and tools, such as USAStaffing®, to support the recruitment, assessment, and acquisition of employees for customer agencies. The CLD provides leadership, management, and Federal executive professional development and training. Led by our resident faculty from the Federal Executive Institute and the Federal Management Development Centers and supported by adjunct faculty members as needed, our comprehensive catalog of programs builds upon the competencies that make up the Executive Core Qualifications, embraces public service and Constitutional values, and incorporates the latest research on leadership development and adult learning. HRSES provides strategic assessments and workforce planning, classification, performance management and program evaluation services to help transform agencies into high performing organizations.

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HRS has a truly national reach. On an annual basis, HRS partners with agency leaders on approximately 500 projects that support their unique missions and performance requirements, educates nearly 20,500 Federal leaders from 326 agencies through over 64 multi-agency and 162 single-agency program offerings. We presently have over 800 fulltime, part-time, and intermittent employees in every state in the nation, 12 brick and mortar locations, and 32 pre-competed vendors. HRS is positioned to provide for essential investments and mitigate the impact of temporary downturns in customer demand resulting from overall Federal budget reductions. The quality controls in place for HRS are driven by the market as HRS is not a mandatory source of supply for Federal agencies. If OPM does not deliver a superior product at a best value price, our customers do not have an incentive to come back to us as their vendor of choice in the future. We continually monitor our score on the American Customer Satisfaction Index (ACSI) and strive to improve OPM's rank and to increase manager satisfaction as reported in survey results. As of 2012, HRS had an ACSI equivalent score of 76.2. Finally, in listening to our customers, we have created specific training offerings and increased the number of new leadership development programs available for Federal employees that align with Administration management priorities.

Pricing for the array of HRS' products and services is based on the full cost recovery operating principle, as well as factoring in a contingency reserve for market downturns, and to cover potential liquidation costs in the event of an orderly shut-down. There are three cost categories that are considered in pricing estimates: direct delivery costs (salaries/benefits, travel, contracts, supplies, etc.), HRS overhead costs (program management oversight), and OPM shared services costs (General Counsel, OCFO, Contracting, etc.). All three categories are accounted for when

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developing pricing using the most appropriate model dependent upon the solution the customer is purchasing. The pricing models include consulting rates, fixed price per unit, and percentage of contract value. Due to the nature of overhead and shared service costs being relatively fixed in the short term, annual sales estimates must also be calculated to ensure overhead costs are distributed equitably across reimbursable offerings for pricing purposes.

**USAJOBS**

USAJOBS offers a wide array of products and services to job seekers, agencies, and vendors. These products include the job board with the job opportunity announcements, the resume builder, the agency recruitment portal, mobile apps, and the USAJOBS help desk. In maintaining quality, we have worked to increase agency participation in USAJOBS by encouraging cross-government involvement in integrated project teams. This has led to direct system improvements to the USAJOBS Resume and User Profile sections, which greatly benefits the seeker experience. We have also successfully cleared audit and security reviews by the OMB and White House Cross Agency SWAT Team, OPM's Office of the Inspector General, and the Department of Homeland Security. We are proud that assessors reported no critical security findings or risks to the public, the system, OPM, or agency partners.

Pursuant to OMB guidance, USAJOBS must operate on a fully reimbursable basis. Regulations authorize OPM to charge fees to agencies to pay the cost of providing Federal employment information and services. The Senior Executive Service is also required to post on USAJOBS. Similar per-capita competitive service staff and SES fees are charged to excepted-service agencies which voluntarily elect to use USAJOBS.



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The annual bills for USAJOBS are calculated based on overall agency populations. Those using USAJOBS are billed a portion of the total costs to operate. The portion each agency is billed for is proportioned based on their overall full-time equivalent counts. In other words, the largest agencies are billed a higher portion than the smaller agencies. Population counts are used to obtain an overall rough order of magnitude proration and are not intended to be an exact day to day count for each agency. Due to budget cuts, USAJOBS is using FY2010 FTE counts to allocate fees for FY12, 13, and 14 in order to keep fees at a flat rate so that agencies can plan accordingly. In addition, effective FY2011, the USAJOBS Program bills annually for the Annual Chief Human Capital Officers (CHCO) Satisfaction Survey and Application. This cost shall only be billed to the official CHCO members using the same basic algorithm but substituting the total costs of the survey proportioned to the CHCO agencies only.

**Inspector General Oversight of OPM Revolving Fund Programs**

The President's FY2014 Budget includes a proposal to permit OPM's OIG to access the revolving fund for its estimated expenses to adequately audit, investigate, and provide other oversight activities of the revolving fund and the activities financed by it. OPM agrees with the importance of strong oversight in order to ensure the integrity of the revolving fund, and we look forward to continuing to work with OIG on this and other legislative proposals in this area.



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BIOGRAPHY

## Chuck Grimes

Charles D. Grimes III is the Chief Operating Officer for the U.S. Office of Personnel Management (OPM). In this role, he provides overall organization management to improve agency performance and achieve OPM's mission and goals through strategic and performance planning, measurement, analysis, and regular progress assessment. He is responsible for managing OPM's human, financial, and other resources to achieve intended program results efficiently, economically, and effectively.

Previously, Mr. Grimes served as the Deputy Associate Director, Employee Services, and Acting Associate Director, Employee Services and Chief Human Capital Officer. In those roles, he managed governmentwide staffing, compensation, employee and labor relations, employee development, and executive resources policy; agency outreach and veterans support; and OPM's internal human resources operation. He also headed the Performance and Pay Systems center at OPM.

Prior to joining OPM, Mr. Grimes served as the Assistant Director, Compensation Policy in the Internal Revenue Service's Strategic Human Resources Division. He spent most of his career in the Department of Defense (DOD), where he last served as the Director, Wage and Salary Division, in DOD's Civilian Personnel Management Service. Mr. Grimes received his B.A. in Biology from the University of Virginia and an M.A. in Management and Supervision from Central Michigan University.