

GAO

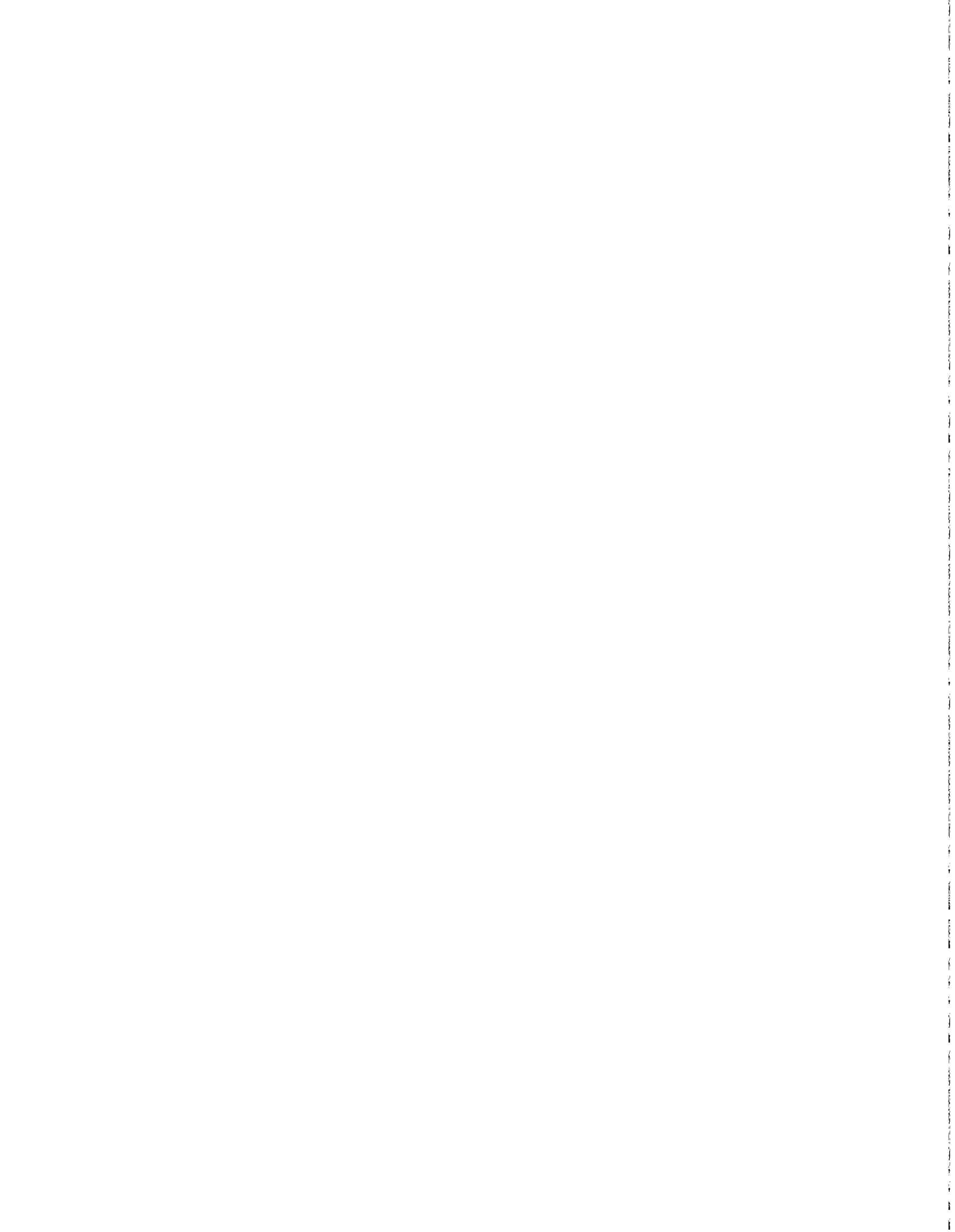
June 1987

OPM REVOLVING  
FUND

Investigation Activities  
During Fiscal Years  
1983 Through 1986



039302





United States  
General Accounting Office  
Washington, D.C. 20548

General Government Division

B-206231

June 26, 1987

The Honorable John Glenn  
Chairman, Committee on Governmental  
Affairs  
United States Senate

The Honorable William D. Ford  
Chairman, Committee on Post Office  
and Civil Service  
House of Representatives

The Office of Personnel Management (OPM) operates a revolving fund to finance four types of services which it provides to other federal agencies on a reimbursable basis. These services are training, background investigations, testing of potential military recruits, and the operation of the President's Commission on Executive Exchange. The fund received \$114 million for the four activities in fiscal year 1986.

In establishing the fund, Congress required that we report on it at least once every 3 years. This report focuses on the employee background investigations OPM does for other agencies. These investigations accounted for about 34 percent of total fund receipts during fiscal year 1986.

We found that the backlog of uncompleted investigations grew significantly from fiscal year 1982 to 1984 but then decreased through fiscal year 1986. This pattern, for the most part, was also found for the average number of days OPM used for investigations. Delays in completing background investigations increase salary costs to federal agencies and their contractors and hinder accomplishment of goals when prospective or current employees must wait for security clearances and either cannot be hired or cannot do the work for which they were hired.

The problem appears to have been an insufficient number of OPM investigators to handle investigations in a timely manner and reduce the backlog of uncompleted investigations to a manageable level. To augment its investigations staff, OPM began contracting with individuals in fiscal year 1985 and companies in fiscal year 1986. Also, OPM began a major effort to increase its investigations staff in fiscal year 1987.

---

## How the Revolving Fund Operates

OPM's revolving fund was established in 1952 to finance background investigations for other federal agencies and to recover from those agencies the costs of conducting investigations. The fund was expanded in 1969 to include training and the other reimbursable activities. Each activity should be conducted on an actual-cost basis over a reasonable period of time. With adequate working capital, a revolving fund may operate with a loss one year and a profit the next. Fund managers should raise or lower the price of services to ensure that costs are recovered in the future or that profits are returned to customer agencies.

Before each fiscal year, OPM estimates the reimbursable services it will be requested to provide to other agencies through the revolving fund. It then sets prices based on the estimated cost of these services. OPM's Administration Group has overall responsibility for managing the revolving fund.

---

## Changes in Revolving Fund Financial Management

In our 1983 report on the revolving fund<sup>1</sup>, we reported that individual revolving fund activities were allowed to accumulate surpluses and deficits over several years because OPM had not established adequate financial performance standards for monitoring and controlling the activities. We found that a training activity surplus largely offset a deficit in the investigations activity, but the fund faced the possibility of ceasing operations to avoid obligating more funds than it had available to spend. Among other things, we recommended that OPM establish financial performance standards for each revolving fund activity and require written plans for correcting deviations from the standards.

As a result of our recommendations, OPM, in March 1984, established 3 years as a reasonable period of time to recover the full costs of providing activities. OPM also established financial performance standards to better monitor revolving fund activities. For example, the standards specify that retained earnings for the training activity should range from a surplus of \$2.7 million to a deficit of \$1.0 million, and retained earnings for the investigations activity should range from a surplus of \$2.5 million to a deficit of \$1.0 million. If retained earnings deviate from these standards, OPM now requires that plans be developed in writing for bringing retained earnings back within the standards.

---

<sup>1</sup>OPM's Revolving Fund Policy Should Be Clarified and Management Controls Strengthened (GAO/GGD-84-23, Oct. 13, 1983).

At the beginning of fiscal year 1983, the training activity's retained earnings were \$5.7 million and the investigations activity's retained earnings were -\$2.9 million. At the end of fiscal year 1985, retained earnings for training and investigations were \$0.2 million and \$1.8 million, respectively, both within the established standards. However, while the training activity remained within the standard at the end of fiscal year 1986 with retained earnings of \$0.5 million, retained earnings for the investigations activity fell to -\$4.2 million—\$3.2 million below the minimum standard. In its comments on a draft of this report OPM said it had increased the price of its investigations effective May 1, 1987, in order to eliminate the retained earnings deficit.

## Objective, Scope, and Methodology

The objective of our review was to determine whether OPM had maintained revolving fund stability in its management of investigations financed by the fund. We reviewed the legislative history on the fund's operations and OPM's administrative manuals, policies, and procedures dealing with planning, budgeting, and financial management. We interviewed OPM central office and regional officials about their management of the revolving fund. We also obtained the views of Department of Energy (DOE) representatives and information they had developed on OPM's investigations of DOE contractor employees. DOE requests for investigations of contractor employees comprise OPM's greatest investigations workload.

To evaluate revolving fund stability, we analyzed OPM's financial records to see if the investigations and training activities' retained earnings balances were within the established standards at the end of each fiscal year. We examined other records to see what action, if any, had been taken by the investigations and training activities to correct deviations from the standards. Further, we reviewed OPM's budget documents to see the extent to which these activities were planned to operate on an actual-cost basis. We reviewed OPM's management of a backlog of background investigations which had built up during the period covered by our review. We analyzed OPM's efforts to reduce the backlog by reviewing documents requesting additional OPM investigators and contracts with individuals and companies. We reviewed OPM records to determine how long it was taking to complete investigations and the impact of investigations delays on the revolving fund and on DOE operations.

Our review covered revolving fund activities during fiscal years 1983 through 1986. The review was done at OPM's central office in Washington, D.C., and its regional offices in Atlanta and New York. We selected

the Atlanta regional office because it had the highest investigative workload of all the regions and an extensive amount of DOE work. New York, on the other hand, had one of the lowest investigative workloads of all the regions and had very little DOE work. The review was conducted in accordance with generally accepted government auditing standards from May 1985 through January 1987.

## Background Investigation Program

OPM background investigations consist of a check of files at OPM, the Federal Bureau of Investigation, and, if the person has served in the military, the Department of Defense. Investigators conduct personal interviews covering the applicant's activities during the previous 5-year period (including employment, education, residences, and references) and make law enforcement and credit checks. OPM conducted about 108,000 background investigations during fiscal years 1983 through 1986.

Table 1 shows the number of OPM background investigations outstanding at the end of fiscal years 1982 through 1986. During this same period, the number of cases processed increased each fiscal year. Of the 14,622 cases outstanding as of September 30, 1986, 6,510 or 45 percent were limited background investigations. At the end of fiscal year 1985, limited background investigations made up 15 percent of the cases outstanding. According to OPM officials, these investigations are for positions which require a Secret or Confidential clearance and, therefore, take less time to complete because coverage includes a 3-year period as compared to 5 years for full background investigations for positions which require a Top Secret clearance.

**Table 1: Number of OPM Background Investigations Outstanding**

<b>Fiscal Year Ending</b>	<b>Number Outstanding</b>
September 30, 1982	4,972
September 30, 1983	9,503
September 30, 1984	15,810
September 30, 1985	14,675
September 30, 1986	14,622

## What Caused the Investigation Backlog?

During fiscal years 1983 through 1986, OPM did not hire or otherwise obtain sufficient investigators to keep current with agency requests for background investigations. Table 2 shows the number of investigator

positions requested, approved, and used during fiscal years 1983 through 1986. We did not evaluate the validity of the number requested.

**Table 2: Number of Investigator Positions Requested, Approved, and Used**

	Number of Investigator Positions <sup>a</sup>			
	FY 83	FY 84	FY 85	FY 86
Requested	507	528	524	550
Approved	461	489	499	535
Used	399	462	513	402

<sup>a</sup>These positions represent OPM employees who actually conduct investigations. Other OPM investigators, such as supervisory personnel, contract monitors, and record technicians, are not included, nor are investigators employed under OPM contracts in fiscal years 1985 and 1986.

According to OPM's Administration Group, it did not approve the requested number of investigators because of OPM's policy of fiscal constraint. Further, the Investigations Divisions' inability to meet approved investigator levels during this period was caused by delays in regional recruiting and investigator turnover. According to OPM, delays in recruiting in the regions were caused by uncertainties about OPM's budget and personnel ceiling. Among the reasons cited for the investigator turnover were numerous retirements and dissatisfaction with the large amount of travel required.

## Impact of the Investigation Backlog

OPM provides three types of investigative services: expedited, pre-placement, and post-placement, and has established 35, 75, and 120 days, respectively, as goals for providing these services. Table 3 shows the average number of calendar days used to conduct the background investigations completed during the 4-week period ending September 30 in each of fiscal years 1982 through 1986.

**Table 3: Average Number of Calendar Days Used to Investigate a Case**

4-Week Period Ending	Type of Service		
	35-Day	75-Day	120-Day
September 30, 1982	31.65	68.03	110.18
September 30, 1983	46.36	106.20	168.02
September 30, 1984	62.97	189.45	204.26
September 30, 1985	78.50	184.80	200.20
September 30, 1986	58.20	105.30	125.00

---

## Loss of Revolving Fund Revenue Through Rebates

Agencies pay for investigations in advance, and pay more for 35-day service than they do for 75- or 120-day service. From January 6, 1984, to June 3, 1985, OPM made rebates to agencies when the investigations were untimely. The amount of the rebate was the difference in cost between the service requested and the actual service provided. For example, if an agency requested 35-day service, it paid \$1,825 in advance. If OPM took from 36 to 75 days to complete the investigation, the agency was liable for the 75-day service price of \$1,525. Therefore, OPM refunded \$300 to the agency. OPM placed a moratorium on rebates, effective June 3, 1985, because of its inability to provide timely investigative services. OPM rebated a total of \$2.9 million on 12,225 cases during fiscal year 1984 and \$2.1 million on 10,800 cases in fiscal year 1985 up to the time of the moratorium.

---

## Lost Employee Productivity and Hindered Accomplishment of Mission

Approximately 60 percent of all requests for background investigations come from DOE. Before April 1, 1984, DOE contractor employees usually were given duties in nonsensitive areas while waiting for their background investigations to be completed. DOE had estimated that if investigations were not completed within 90 days—the period allotted as an acceptable amount of time to wait for security clearances—50 percent of a contractor employee's productivity was lost, starting with the 91st day. We did not verify this estimate. Using average daily salary costs of \$62.30 and \$64.77 for fiscal years 1983 and 1984, respectively, this estimate can be extrapolated so that, during the 18-month period, October 1, 1982, through March 31, 1984, investigation delays could have cost DOE \$42 million. Although other federal agencies also have expressed concern to OPM regarding the amount of time it takes to complete a background investigation, no similar cost estimates were available for those agencies.

Because of OPM's delays in completing background investigations, DOE implemented a new policy on April 1, 1984. Under the new policy, DOE required prospective employees to have a security clearance before being hired. If this policy is followed, DOE will not incur salary costs until the prospective employee has a security clearance. However, investigation delays have other significant impacts on DOE. For example, DOE faces the possibility of not being able to put applicants to work when they are needed. This hinders accomplishment of DOE's goals and could result in prospective employees seeking employment elsewhere.



---

## Actions Taken to Reduce Backlog

OPM has undertaken a number of initiatives to reduce the backlog of background investigations. OPM expected the most significant initiative to be contracting with individuals and companies to conduct investigations.

On April 17, 1985, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, the Director-Designate of OPM testified that these initiatives would help reduce the backlog of cases and improve timeliness by the end of calendar year 1985. According to OPM, timeliness can be maintained with a backlog of 6,000 cases. As of September 30, 1985, however, the backlog was 14,675 cases, and as of September 30, 1986, it was 14,622 cases.

---

## Use of Individual Contractors

In December 1984, OPM began contracting with retired federal investigators to augment its own investigations staff. As of September 30, 1986, there were 325 investigators under contract. According to OPM officials, they are satisfied with the individual contractors' work and intend to continue using them.

---

## Problems With Contracting With Companies

Soon after contracting with individual investigators, OPM realized that the backlog was going to take longer to reduce than anticipated. Consequently, in October 1985, OPM awarded contracts to four companies with the objective of reducing the investigations backlog by September 30, 1986.

OPM has not been satisfied with the quality or timeliness of the contract companies' work and stopped sending new cases to these companies in May 1986. Because of quality deficiencies, OPM rejected 33 percent of the completed cases submitted for review. This compares to a rejection rate of 7 percent for individual contract investigators and 0.7 percent for OPM investigators. According to an OPM official, cases usually are rejected when proper coverage is not obtained and/or issues are raised but not properly resolved. In addition, OPM had to rework 518 cases that were returned incomplete by contractor companies.

---

## Conclusions

The investigations backlog at OPM appears to have resulted from not having enough investigators. Fiscal constraint should not be used to justify having an insufficient number of investigative staff, since other agencies reimburse OPM for all of its costs through the revolving fund. Although OPM has taken action to increase its investigator staff, we

believe it needs to ensure that it has a sufficient number of investigators to process requests for investigations within a reasonable period of time.

---

## Recommendations to the Director, OPM

We recommend that the Director, OPM, provide the investigations activity authority to hire and maintain an investigator staff at levels which would improve the timeliness of background investigations and reduce the backlog to a manageable level.

---

## Agency Comments and Our Evaluation

In commenting on a draft of this report, OPM said the report provided a good historical perspective on the operation of the fund from fiscal year 1983 through fiscal year 1986 and that our recommendation would greatly enhance OPM's ability to adequately staff the investigations program. OPM said that, for fiscal year 1987, it approved a staffing level of 599 investigators, which was the number estimated to be required by its Office of Federal Investigations. OPM also said that, beginning October 1, 1986, the regions and the central office began a major recruiting, hiring, and training effort designed to staff to this approved level. OPM said that this is a slow process but that it planned to be close to the approved level by July 1, 1987. (See app. I.)

We believe that OPM, by approving all the investigators that were estimated to be required during fiscal year 1987, has taken the necessary first step toward implementing our recommendation. However, in view of the past difficulties experienced by OPM in achieving the authorized staffing levels for investigators, OPM will need to monitor recruiting and retention to ensure that it reaches its authorized level of 599 investigators during fiscal year 1987.

DOE also commented on a draft of this report, saying that it found no information, under its purview, which was incorrect or taken out of context. (See app. II.)

---

We are sending copies of this report to selected committees of Congress; the Director, Office of Personnel Management; the Secretary of Energy; and the Director, Office of Management and Budget.

*W. J. Anderson*

William J. Anderson  
Assistant Comptroller General

---

# Contents

---

Letter		1
Appendix I		12
Comments From the	GAO Comments	15
Office of Personnel		
Management		
Appendix II		16
Comments From the		
Department of Energy		
Tables		
	Table 1: Number of OPM Background Investigations Outstanding	4
	Table 2: Number of Investigator Positions Requested, Approved, and Used	5
	Table 3: Average Number of Calendar Days Used to Investigate a Case	5

---

## Abbreviations

DOE	Department of Energy
OPM	Office of Personnel Management

---

---

# Comments From the Office of Personnel Management

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



Office of the Director

UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, D.C. 20415

MAY 1 1987


Mr. Charles A. Bowsher  
Comptroller General  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Bowsher:

Thank you for the opportunity to comment on the draft report OPM Revolving Fund: Investigation Activities During Fiscal Years 1983 through 1986. We feel that the report provides a good historical perspective on the operation of the fund during FY 1983 through FY 1986, and resulted in a recommendation which will greatly enhance our ability to adequately staff our investigations program.

As the report indicates, our greatest difficulty has been the ability to begin hiring investigative staff in sufficient time to meet increasing workload demands. It takes several months to review, screen and investigate applicants before they can be brought on board. In addition, there is a considerable training period required before we can put new investigators "on the street" to conduct investigations. Allowing OPM to staff the program to meet workload demands would greatly enhance our ability to effectively and efficiently perform investigations. While the draft report is generally accurate, some updated information is necessary to put the report in proper context. In addition, some clarifications/corrections are required as shown on the attached.

Sincerely,



Constance Horner  
Director

Attachments

Discussed on p. 8.

Attachment 1

UPDATE ON INVESTIGATIONS

The following information updates several matters mentioned in the CAO draft report. Page references are to the draft report.

Now on pp. 4-5.

STAFFING (Page 9)

For FY 87, the Office of Federal Investigations estimates reflected a need for 599 investigators, a level approved by the OPM Director. Beginning October 1, 1986, the regions and the central office began a major recruiting, hiring, and training effort designed to staff to this approved level. As of March 14, 1987, investigator strength was at 465 with many more selections pending completion of background checks. The hiring and training of investigators is a slow process. Because of the nature of the position, great care must be taken to assure that all selections meet the highest standards of integrity, reliability, and capability. Even so, OPM plans to be close to the approved levels by July 1, 1987, and fully staffed and trained by the end of the fiscal year.

Discussed on p. 8.

Now on p. 5.

TIMELINESS (Page 10)

The timeliness figures are somewhat skewed, especially the 75-Day cases, because at the end of FY 86 over 700 cases were still in the hands of the contracting companies and all of these were six months to a year old. The 35-Day timeliness numbers also tend to run high because it is inefficient and not cost effective to drop everything and do these immediately. In many instances, OPM must wait for sufficient work in a given area before sending an investigator and this causes some delays, especially in the tight 35-Day time frames.

See comment 1.

Now on p. 7.

BACKLOG (Page 14)

The total numbers of cases in the backlog are not entirely comparable between FY 85 and FY 86. We introduced in FY 85, and fully implemented in FY 86, several new types of cases. Most significant among these is the Limited Background Investigation (LBI), which has a three-year coverage and which is increasingly used for reinvestigations of Department of Energy contractor employees.

See comment 2.

Within the total backlog, the highest-priority cases are Background Investigations (BI), which have five-year coverage and which are required for certain Federal employees before appointment or soon thereafter. The number of pending BI's in the backlog was nearly halved during FY 86, from 12,316 to 6,759.

Appendix I  
Comments From the Office of  
Personnel Management

Attachment 2

CLARIFICATION/CORRECTION

Now on p. 3.  
See comment 3.

INVESTIGATIONS PROCESS (Page 4)

GAO says OPM is "preparing a plan" to eliminate the deficit.

The Deputy Director has approved price increases to be effective May 1. Customer agencies were advised March 26.

Now on p. 5.  
See comment 4.

INVESTIGATIVE HIRING (Page 8)

The reference to OFI's Investigations Operations Division is incorrect. The proper reference should be OPM's Regional and Washington Investigations Divisions.

Now on p. 7.  
See comment 5.

SENATE SUBCOMMITTEE TESTIMONY (Page 13)

The Director designee referred to in the GAO report is former Director Devine.

Now on p. 5.  
See comment 6.

NUMBER OF POSITIONS (Page 9)

An error in the GAO draft makes it appear that OPM under-used its approved investigator staffing level by over 100 staff-years in FY 86 (402 used vs. 535 approved).

The actual use was 482, not 402.

Now on p. 6.  
See comment 7.

COSTS OF DELAYS (Page 12)

GAO estimated that delayed clearances cost the Department of Energy \$42 million in an 18-month period.

The GAO report also points out (in the paragraph immediately after the "estimate") that DOE changed its own policy to require clearance before hiring, thus eliminating the problem.

GENERAL POINT

All of the criticisms by GAO cover decisions made and circumstances existing two years or more ago. Improvements now being made are reducing backlogs, saving time, and supporting the program with needed staff.



The following are GAO's supplemental comments on the Office of Personnel Management letter dated May 1, 1987.

---

## **GAO Comments**

1. Irrespective of what caused cases to be in the backlog at the end of fiscal year 1986, they all represented uncompleted investigations requested by agencies. Similarly, while it is understandable that 35-day cases are more difficult to complete on time, the 35-day timeframe was established by OPM, and agencies pay extra for such expedited service.
2. The makeup of the backlog at the end of fiscal year 1986 is discussed on page 4 of the report. Information was added on the makeup of the fiscal year 1985 backlog so that it could be compared to the fiscal year 1986 backlog.
3. Updated information was added to the report on page 3.
4. Report revised as indicated.
5. As a general rule, GAO policy is to refer to federal agency officials and employees by title rather than name.
6. We have added a footnote to table 2 on page 5 of the report to make it clear that we are referring to investigators who actually conduct investigations. OPM's figure of 482 includes investigators who were used to perform other duties such as monitoring the contract companies.
7. We disagree that the costs of delays in completing DOE-requested investigations are no longer a problem. As page 6 of our report points out, to the extent that DOE contractors must defer employing workers until their background investigations are completed, necessary work is not being accomplished and potential employees may obtain jobs elsewhere.

# Comments From the Department of Energy



Department of Energy  
Washington, D.C. 20585

APR 15 1987


Mr. J. Dexter Peach  
Assistant Comptroller General  
Resources, Community, and  
Economic Development Division  
U.S. General Accounting Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Peach:

The Department of Energy (DOE) appreciates the opportunity to review and comment on the General Accounting Office draft report entitled "OPM Revolving Fund: Investigation Activities During Fiscal Years 1983 Through 1986."

In reviewing your draft report, we concentrated on the areas for which DOE has specific responsibilities and on those issues, analyses, or statements attributed to the DOE. We found no information, which is under our purview, which is incorrect or taken out of context.

Sincerely,

  
Lawrence F. Davenport  
Assistant Secretary  
Management and Administration

Discussed on p. 8.

---

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office  
Post Office Box 6015  
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

