

@ 8902a. Debarment and other sanctions

(a) (1) For the purpose of this section--

(A) the term "provider of health care services or supplies" or "provider" means a physician, hospital, or other individual or entity which furnishes health care services or supplies;

(B) the term "individual covered under this chapter [5 USCS @@ 8901 et seq]" or "covered individual" means an employee, annuitant, family member, or former spouse covered by a health benefits plan described by section 8903 or 8903a;

(C) an individual or entity shall be considered to have been "convicted" of a criminal offense if--

(i) a judgment of conviction for such offense has been entered against the individual or entity by a Federal, State, or local court;

(ii) there has been a finding of guilt against the individual or entity by a Federal, State, or local court with respect to such offense;

(iii) a plea of guilty or nolo contendere by the individual or entity has been accepted by a Federal, State, or local court with respect to such offense; or

(iv) in the case of an individual, the individual has entered a first offender or other program pursuant to which a judgment of conviction for such offense has been withheld;

without regard to the pendency or outcome of any appeal (other than a judgment of acquittal based on innocence) or request for relief on behalf of the individual or entity; and

(D) the term "should know" means that a person, with respect to information, acts in deliberate ignorance of, or in reckless disregard of, the truth or falsity of the information, and no proof of specific intent to defraud is required; (.)

(2) (A) Notwithstanding section 8902(j) or any other provision of this chapter [5 USCS @@ 8901 et seq], if, under subsection (b), (c), or (d), a provider is barred from participating in the program under this chapter [5 USCS @@ 8901 et seq], no payment may be made by a carrier pursuant to any contract under this chapter (either to such provider or by reimbursement) for any service or supply furnished by such provider during the period of the debarment.

(B) Each contract under this chapter [5 USCS @@ 8901 et seq] shall contain such provisions as may be necessary to carry out subparagraph (A) and the other provisions of this section.

(b) The Office of Personnel Management shall bar the following providers of health care services or supplies from participating in the program under this chapter [5 USCS @@ 8901 et seq]:

(1) Any provider that has been convicted, under Federal or State law, of a criminal offense relating to fraud, corruption, breach of fiduciary responsibility, or other financial misconduct in connection with the delivery of a health care service or supply.

(2) Any provider that has been convicted, under Federal or State law, of a criminal offense relating to neglect or abuse of patients in connection with the delivery of a health care service or supply.

(3) Any provider that has been convicted, under Federal or State law, in connection with the interference with or obstruction of an investigation or prosecution of a criminal offense described in paragraph (1) or (2).

(4) Any provider that has been convicted, under Federal or State law, of a

criminal offense relating to the unlawful manufacture, distribution, prescription, or dispensing of a controlled substance.

(5) Any provider that is currently debarred, suspended, or otherwise excluded from any procurement or nonprocurement activity (within the meaning of section 2455 of the Federal Acquisition Streamlining Act of 1994 [31 USCS @ 6101 note]).

(c) The Office may bar the following providers of health care services from participating in the program under this chapter [5 USCS @@ 8901 et seq]:

(1) Any provider--

(A) whose license to provide health care services or supplies has been revoked, suspended, restricted, or not renewed, by a State licensing authority for reasons relating to the provider's professional competence, professional performance, or financial integrity; or

(B) that surrendered such a license while a formal disciplinary proceeding was pending before such an authority, if the proceeding concerned the provider's professional competence, professional performance, or financial integrity.

(2) Any provider that is an entity directly or indirectly owned, or with a control interest of 5 percent or more held, by an individual who has been convicted of any offense described in subsection (b), against whom a civil monetary penalty has been assessed under subsection (d), or who has been debarred from participation under this chapter [5 USCS @@ 8901 et seq.].

(3) Any individual who directly or indirectly owns or has a control interest in a sanctioned entity and who knows or should know of the action constituting the basis for the entity's conviction of any offense described in subsection (b), assessment with a civil monetary penalty under subsection (d), or debarment from participation under this chapter [5 USCS @@ 8901 et seq.].

(4) Any provider that the Office determines, in connection with claims presented under this chapter [5 USCS @@ 8901 et seq.], has charged for health care services or supplies in an amount substantially in excess of such provider's customary charge for such services or supplies (unless the Office finds there is good cause for such charge), or charged for health care services or supplies which are substantially in excess of the needs of the covered individual or which are of a quality that fails to meet professionally recognized standards for such services or supplies.

(5) Any provider that the Office determines has committed acts described in subsection (d).

Any determination under paragraph (4) relating to whether a charge for health care services or supplies is substantially in excess of the needs of the covered individual shall be made by trained reviewers based on written medical protocols developed by physicians. In the event such a determination cannot be made based on such protocols, a physician in an appropriate specialty shall be consulted.

(d) Whenever the Office determines--

(1) in connection with claims presented under this chapter [5 USCS @ 8901 et seq.], that a provider has charged for a health care service or supply which the provider knows or should have known involves--

(A) an item or service not provided as claimed;

(B) charges in violation of applicable charge limitations under section 8904(b); or

(C) an item or service furnished during a period in which the provider was debarred from participation under this chapter [5 USCS @@ 8901 et seq] pursuant to a determination by the Office under this section, other than as permitted under subsection (g) (2) (B);

(2) that a provider of health care services or supplies has knowingly made, or caused to be made, any false statement or misrepresentation of a material fact which is reflected in a claim presented under this chapter [5 USCS @@ 8901

et seq.); or

(3) that a provider of health care services or supplies has knowingly failed to provide any information required by a carrier or by the Office to determine whether a payment or reimbursement is payable under this chapter [5 USCS @@ 8901 et seq.] or the amount of any such payment or reimbursement;

the Office may, in addition to any other penalties that may be prescribed by law, and after consultation with the Attorney General, impose a civil monetary penalty of not more than \$ 10,000 for any item or service involved. In addition, such a provider shall be subject to an assessment of not more than twice the amount claimed for each such item or service. In addition, the Office may make a determination in the same proceeding to bar such provider from participating in the program under this chapter [5 USCS @@ 8901 et seq].

(e) The Office--

(1) may not initiate any debarment proceeding against a provider, based on such provider's having been convicted of a criminal offense, later than 6 years after the date on which such provider is so convicted; and

(2) may not initiate any action relating to a civil penalty, assessment, or debarment under this section, in connection with any claim, later than 6 years after the date the claim is presented, as determined under regulations prescribed by the Office.

(f) In making a determination relating to the appropriateness of imposing or the period of any debarment under this section (where such debarment is not mandatory), or the appropriateness of imposing or the amount of any civil penalty or assessment under this section, the Office shall take into account--

(1) the nature of any claims involved and the circumstances under which they were presented;

(2) the degree of culpability, history of prior offenses or improper conduct of the provider involved; and

(3) such other matters as justice may require.

(g) (1) (A) Except as provided in subparagraph (B), debarment of a provider under subsection (b) or (c) shall be effective at such time and upon such reasonable notice to such provider, and to carriers and covered individuals, as shall be specified in regulations prescribed by the Office. Any such provider that is debarred from participation may request a hearing in accordance with subsection (h) (1).

(B) Unless the Office determines that the health or safety of individuals receiving health care services warrants an earlier effective date, the Office shall not make a determination adverse to a provider under subsection (c) (5) or (d) until such provider has been given reasonable notice and an opportunity for the determination to be made after a hearing as provided in accordance with subsection (h) (1).

(2) (A) Except as provided in subparagraph (B), a debarment shall be effective with respect to any health care services or supplies furnished by a provider on or after the effective date of such provider's debarment.

(B) A debarment shall not apply with respect to inpatient institutional services furnished to an individual who was admitted to the institution before the date the debarment would otherwise become effective, until the passage of 30 days after such date, unless the Office determines that the health or safety of the individual receiving those services warrants that a shorter period, or that no such period, be afforded.

(3) Any notice of debarment referred to in paragraph (1) shall specify the date as of which debarment becomes effective and the minimum period of time for which such debarment is to remain effective. In the case of a debarment under

paragraph (1), (2), (3), or (4) of subsection (D), the minimum period of debarment shall not be less than 3 years, except as provided in paragraph (4)(B)(ii).

(4) (A) A provider barred from participating in the program under this chapter [5 USCS §§ 8901 et seq.] may, after the expiration of the minimum period of debarment referred to in paragraph (3), apply to the Office, in such manner as the Office may by regulation prescribe, for termination of the debarment.

(B) The Office may--

(i) terminate the debarment of a provider, pursuant to an application filed by such provider after the end of the minimum debarment period, if the Office determines, based on the conduct of the applicant, that--

(I) there is no basis under subsection (b), (c), or (d) for continuing the debarment; and

(II) there are reasonable assurances that the types of actions which formed the basis for the original debarment have not recurred and will not recur; or

(ii) notwithstanding any provision of subparagraph (A), terminate the debarment of a provider, pursuant to an application filed by such provider before the end of the minimum debarment period, if the Office determines that--

(I) based on the conduct of the applicant, the requirements of subclauses (I) and (II) of clause (i) have been met; and

(II) early termination under this clause is warranted based on the fact that the provider is the sole community provider or the sole source of essential specialized services in a community, or other similar circumstances.

(5) The Office shall--

(A) promptly notify the appropriate State or local agency or authority having responsibility for the licensing or certification of a provider barred from participation in the program under this chapter [5 USCS §§ 8901 et seq.] of the fact of the debarment, as well as the reasons for such debarment;

(B) request that appropriate investigations be made and sanctions invoked in accordance with applicable law and policy; and

(C) request that the State or local agency or authority keep the Office fully and currently informed with respect to any actions taken in response to the request.

(h) (1) Any provider of health care services or supplies that is the subject of an adverse determination by the Office under this section shall be entitled to reasonable notice and an opportunity to request a hearing of record, and to judicial review as provided in this subsection after the Office renders a final decision. The Office shall grant a request for a hearing upon a showing that due process rights have not previously been afforded with respect to any finding of fact which is relied upon as a cause for an adverse determination under this section. Such hearing shall be conducted without regard to subchapter II of chapter 5 and chapter 7 of this title [5 USCS §§ 551 et seq. and 701 et seq.] by a hearing officer who shall be designated by the Director of the Office and who shall not otherwise have been involved in the adverse determination being appealed. A request for a hearing under this subsection shall be filed within such period and in accordance with such procedures as the Office shall prescribe by regulation.

(2) Any provider adversely affected by a final decision under paragraph (1) made after a hearing to which such provider was a party may seek review of such decision in the United States District Court for the District of Columbia or for the district in which the plaintiff resides or has his or her principal place of business by filing a notice of appeal in such court within 60 days after the date the decision is issued, and by simultaneously sending copies of such notice by certified mail to the Director of the Office and to the Attorney General. In answer to the appeal, the Director of the Office shall promptly file in such

court a certified copy of the transcript of the record, if the Office conducted a hearing, and other evidence upon which the findings and decision complained of are based. The court shall have power to enter, upon the pleadings and evidence of record, a judgment affirming, modifying, or setting aside, in whole or in part, the decision of the Office, with or without remanding the case for a rehearing. The district court shall not set aside or remand the decision of the Office unless there is not substantial evidence on the record, taken as whole, to support the findings by the Office of a cause for action under this section or unless action taken by the Office constitutes an abuse of discretion.

(3) Matters that were raised or that could have been raised in a hearing under paragraph (1) or an appeal under paragraph (2) may not be raised as a defense to a civil action by the United States to collect a penalty or assessment imposed under this section.

(i) A civil action to recover civil monetary penalties or assessments under subsection (d) shall be brought by the Attorney General in the name of the United States, and may be brought in the United States district court for the district where the claim involved was presented or where the person subject to the penalty resides. Amounts recovered under this section shall be paid to the Office for deposit into the Employees Health Benefits Fund. The amount of a penalty or assessment as finally determined by the Office, or other amount the Office may agree to in compromise, may be deducted from any sum then or later owing by the United States to the party against whom the penalty or assessment has been levied.

(j) The Office shall prescribe regulations under which, with respect to services or supplies furnished by a debarred provider to a covered individual during the period of such provider's debarment, payment or reimbursement under this chapter [5 USCS §§ 8901 et seq.] may be made, notwithstanding the fact of such debarment, if such individual did not know or could not reasonably be expected to have known of the debarment. In any such instance, the carrier involved shall take appropriate measures to ensure that the individual is informed of the debarment and the minimum period of time remaining under the terms of the debarment.

HISTORY: (Added Nov. 14, 1988, P.L. 100-654, Title I, § 101(a), 102 Stat. 3837; Oct. 19, 1998, P.L. 105-266, § 2(a), 112 Stat. 2363.)

#### HISTORY; ANCILLARY LAWS AND DIRECTIVES

#### Explanatory notes:

The bracketed period in subsec. (a)(1)(D) has been inserted as the punctuation probably intended by Congress.

#### Amendments:

1998. Act Oct. 19, 1998, in subsec. (a), in para. (1), in subpara. (B), deleted "and" after the concluding semicolon, in subpara. (C), in the concluding matter, substituted "; and" for a concluding period, and added new subpara. (D) and, in para. (2)(A), substituted "subsection (b), (c), or (d)" for "subsection (b) or (c)"; in subsec. (b), in the introductory matter, substituted "The Office of Personnel Management shall bar" for "The Office of Personnel Management may bar" and substituted para. (5) for one which read:

"(5) Any provider--

"(A) whose license to provide health care services or supplies has been revoked, suspended, restricted, or not renewed, by a State licensing authority for reasons relating to the provider's professional competence, professional performance, or financial integrity; or

"(B) that surrendered such a license while a formal disciplinary proceeding was pending before such an authority, if the proceeding concerned the provider's professional competence, professional performance, or financial integrity.";

redesignated subsecs. (c)-(i) as subsecs. (d)-(j), respectively, and added new subsec. (c); in subsec. (d) as redesignated, substituted para. (1) for one which read:

"(1) in connection with a claim presented under this chapter, that a provider of health care services or supplies--

"(A) has charged for health care services or supplies that the provider knows or should have known were not provided as claimed; or

"(B) has charged for health care services or supplies in an amount substantially in excess of such provider's customary charges for such services or supplies, or charged for health care services or supplies which are substantially in excess of the needs of the covered individual or which are of a quality that fails to meet professionally recognized standards for such services or supplies;"

in subsec. (f) as redesignated, inserted "(where such debarment is not mandatory)"; in subsec. (g) as redesignated, substituted para. (1) for one which read: "(1) The debarment of a provider under subsection (b) or (c) shall be effective at such time and upon such reasonable notice to such provider, and to carriers and covered individuals, as may be specified in regulations prescribed by the Office.", in para. (3), inserted "of debarment", and added the sentence beginning "In the case of a debarment . . .", in para. (4)(B)(i)(I), substituted "subsection (b), (c), or (d)" for "subsection (b) or (c)", and deleted para. (6) which read: "(6) The Office shall, upon written request and payment of a reasonable charge to defray the cost of complying with such request, furnish a current list of any providers barred from participating in the program under this chapter, including the minimum period of time remaining under the terms of each provider's debarment."; in subsec. (h) as redesignated, substituted paras. (1) and (2) for ones which read:

"(1) The Office may not make a determination under subsection (b) or (c) adverse to a provider of health care services or supplies until such provider has been given written notice and an opportunity for a hearing on the record. A provider is entitled to be represented by counsel, to present witnesses, and to cross-examine witnesses against the provider in any such hearing.

"(2) Notwithstanding section 8912, any person adversely affected by a final decision under paragraph (1) may obtain review of such decision in the United States Court of Appeals for the Federal Circuit. A written petition requesting that the decision be modified or set aside must be filed within 60 days after the date on which such person is notified of such decision.";

and, in subsec. (i) as redesignated, substituted "subsection (d)" for "subsection (c)", and added the sentence beginning "The amount of a penalty . . .".

#### Other provisions:

Applicability; prior conduct. Act Nov. 14, 1988, P.L. 100-654, Title I, § 102 102 Stat. 3841, provides:

"(a) Applicability. The amendments made by this title [adding this section and this note] shall be effective with respect to any calendar year beginning, and contracts entered into or renewed for any calendar year beginning, after the date of the enactment of this Act.

"(b) Prior conduct not to be considered. In carrying out section 8902a of title 5, United States Code, as added by this title, no debarment, civil monetary penalty, or assessment may be imposed under such section based on any criminal or other conduct occurring before the beginning of the first calendar year which begins after the date of the enactment of this Act."

Effective date of Oct. 19, 1998 amendments. Act Oct. 19, 1998, P.L. 105-266, § 2(b), 112 Stat. 2366, provides:

"(1) In general. Except as provided in paragraph (2), the amendments made by this section [amending this section] shall take effect on the date of the enactment of this Act.

"(2) Exceptions.

(A) Paragraphs (2), (3), and (5) of section 8902a(c) of title 5, United States Code, as amended by subsection (a)(3), shall apply only to the extent that the misconduct which is the basis for debarment under paragraph (2), (3), or (5), as applicable, occurs after the date of the enactment of this Act.

"(B) Paragraph (1)(B) of section 8902a(d) of title 5, United States Code, as amended by subsection (a)(4), shall apply only with respect to charges which violate section 8904(b) of such title for items or services furnished after the date of the enactment of this Act.

"(C) Paragraph (3) of section 8902a(g) of title 5, United States Code, as amended by subsection (a)(6)(B), shall apply only with respect to debarments based on convictions occurring after the date of the enactment of this Act."



RIS Systems Modernization  
 FY 2000 Office of Management and Budget (OMB) Submission

**Capital Asset Plan and Justification**

Agency: Office of Personnel Management  
 Account title: 24X0100  
 Funding type: No year  
 Program activity: Retirement and Insurance Program  
 Project name: Retirement Systems Modernization (Modernization)  
 New project:    Ongoing project: X  
 Approved by Executive Review Committee? Yes X No  
 Is this project information technology? Yes X No  
 Financial Management System? Yes X No  
 Percentage of project that is financial management: About 66% (Member administration, Annuity Roll, Trust Fund Management, and Claim to Payment processes)  
 Approved by investment review board? Yes X No

**Part I: SUMMARY OF SPENDING FOR PROJECT STAGES**

(in millions)

	FY97-8	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	TOTAL
Unobligated Balance, SOY	8.1	9.2	2.5	0.0	0.0	0.0	0.0	0.0	0.0	
New Appropriations	3.5	0.0	4.0	21.0	56.6	41.5	7.3	6.9	6.4	147.2
Obligations										
Planning*	2.4	6.7	6.5	13.2	8.0	4.6	4.5	4.1	4.1	54.1
Acquisition	0.0	0.0	0.0	7.7	47.5	34.1	0.0	0.0	0.0	89.3
Maintenance Increases	0.0	0.0	0.0	0.1	1.4	2.8	2.8	2.5	2.4	12.0
Total Obligations	2.4	6.7	6.5	21.0	56.9	41.5	7.3	6.6	6.5	155.4

Maintenance without RSM	-	12.5	12.5	13.1	14.1	15.1	16.1	17.2	18.2	118.8
Maintenance with RSM	-	12.5	12.5	13.2	15.5	17.9	18.9	19.7	20.6	130.8

\*Includes Category A and IV&V (Independent Verification and Validation) costs.

Note: Table includes only resources for the RSM effort. \$1.531 million was obligated in FY 97 for FAPS closeout.

## **Part II: JUSTIFICATION AND OTHER INFORMATION**

The Retirement and Insurance service (RIS) is currently in the "planning phase" of the Retirement Systems Modernization project. The "planning phase" of a capital project includes a number of activities and provides the information that allows the agency to develop the design; assess the benefits, costs, and risks; and establish realistic baseline cost, schedule, and performance goals before proceeding to full acquisition of the capital asset. Many of the planning activities of this project have been completed; however, the business process reengineering activities will continue in FY 2000 and FY 2001, as indicated in our FY 1999 plan. This plan contains the revision of our FY 1999 plan, based on information from the technology contractor that began to work with us this spring, the completion of the "to-be" model this summer, and the updating of the business case for the project that resulted. This plan also includes information and justification for the implementation planning and full acquisition of the first module beginning in FY 2001, and estimates for subsequent modules in out years through FY 2006.

As stated in the FY 1999 plan, the estimate of \$60 - \$80 million implementation costs for the Modernization effort was based on industry experience with projects of similar scope and nature, since the design of the reengineered retirement program had not yet begun. The cost estimates for the project in this year's plan are based on the most recent information available from the "to-be" model. We used a conservative approach in estimating costs, such as using the most expensive commercial off-the-shelf software costs. Although confident that we are within 10% of the cost for the first module, the estimates for the out years will be refined after planning for Modules 2 through 4 is complete. The refinement of the estimates is particularly important for work involving legacy systems (Module 2). The cost estimates in this plan are based on industry experience, rather than the detailed analysis of the existing systems that will take place during Module 2.

### **A: Justification**

#### **Link to Strategic Goals and Performance Gap**

RIS strategic goals are closely aligned with OPM's overall strategic goals, and include:

- Establish the Retirement and Insurance Service as the acknowledged leader in the design of competitive employee earned benefit programs.
- Ensure that the earned employee benefit programs (EEBP) are models of excellence and integrity as reflected in assessments of program and financial administration.
- Enable the Federal agencies to provide world-class EEBP services by delivering to them quality products, tools, and support.
- Meet or exceed customer expectations with cost-effective benefit products and services.

- ❑ Create a sound, diverse, and cooperative work force and invest in RIS employees, business partners, and technology.

To fully achieve these goals, RIS has launched the Modernization effort in response to eight strategic imperatives:

- ❑ Prompt, accurate, and consistent customer service to all stakeholders
- ❑ Accurate and consistent benefits counseling for eligible participants
- ❑ Accurate and timely payment to benefit recipients
- ❑ Accurate and timely deductions for retirement from covered employees and their respective agencies
- ❑ Flexibility to adapt to changes in the law, business processes and procedures, and technology
- ❑ Timely, accurate, and consistent financial reporting
- ❑ Appropriate internal controls
- ❑ Timely, accurate, consistent and complete data

Our FY 1999 Capital Asset Plan discussed the performance gap from our customers' perspective and the expectation that the gap will continue to grow. For over a decade, we have applied incremental improvements that have enabled us to maintain and improve our customer satisfaction. However, we have maximized the performance that our current processes are capable of and the return on our improvement efforts has been steadily diminishing. Four important factors threaten our continued ability to provide quality retirement services and meet customer expectations.

Most important is the four-fold growth expected in the Federal Employees Retirement System (FERS) caseload over the next ten years. At current processing rates and given the present technology infrastructure, an additional 250 staff members, costing as much as \$15-20 million more per year, would be required to maintain the current level of service quality. OPM, like other government agencies, however, will be unable to hire enough additional employees to meet its increased workload demands due to budgetary constraints. The potential impact on customer service, worker morale, and the efficiency and financial accuracy of the retirement program will be detrimental if alternative measures are not taken.

Second is the high error rate associated with initial Civil Service Retirement System (CSRS) and FERS benefit calculations. The current error rate, on average 7.7% for FERS and 7.3% for CSRS, annually results in \$80 million in overpayments and \$60 million in underpayments. In addition, OPM estimates that there are roughly 10,000 coverage determination errors throughout Federal agencies. Estimates on the potential

cost to agencies to correct these errors range from \$2 million to hundreds of millions. It is imperative to curtail the introduction of more errors as workloads increase.

Third is OPM's outdated, three decades old legacy computer systems. Existing COBOL applications are not well integrated, and there are numerous, scattered databases, often containing duplicate information and redundant code. Improving the operational efficiency of some of these systems significantly is not feasible, maintaining them is difficult and expensive, and modifying or enhancing their functionality will become increasingly problematic as experienced OPM computer maintenance personnel retire. Operating costs have grown to be as much as two to five times of the original systems cost to develop. The infrastructure must be updated to enable the retirement program to adapt quickly, easily, and cost-effectively to the changing needs of the program.

Fourth is the legislative mandate calling on government agencies to reduce paperwork. The Paperwork Reduction Act was first promulgated in 1980 but amended in 1995 to require the government agencies to reduce the paperwork burden imposed on the public by at least five percent per year. The Government Paperwork Elimination Act (GPEA) of 1998 goes one step further by requiring Federal agencies to conduct business electronically with non-Federal government entities by October 2003. Modernization of our processes, facilitated by technology, is necessary to eliminate inefficient paper-based processing as well as duplicative collection of data from system participants, beneficiaries, and other partners and stakeholders.

The following chart summarizes the Modernization effort's strategic imperatives, business requirements of the CSRS and FERS programs, and the gap between them.

	Business Requirements	Strategic Imperatives
Prompt, accurate, and consistent customer service to all stakeholders	Lack of tools necessary to complete customer inquiries in a timely and accurate manner	Automated benefit calculation Automated coverage determination including automated data input
	Dispersed customer service throughout the Retirement Program	A customer service model that defines entry and exit points for customer interaction Automated customer service capabilities including the ability for call routing and workflow
	Minimal self-service options	Ability for participants to perform retirement actions via Internet Ability for participants to perform retirement actions via IVR

<p>Accurate and consistent benefits counseling for eligible participants</p>	<p>Lack of full life-cycle retirement benefits counseling</p>	<p>Standardized approach to benefits counseling</p> <p>Automatic identification of participants to proactively counsel</p> <p>Automatic notice distribution</p> <p>Automated benefit calculation for employee modeling including automated data input are required</p> <p>Creation of guidance, reference, and knowledge support tools</p>
<p>Accurate and timely payment to benefit recipients</p>	<p>Errors in benefit payment amount calculations</p>	<p>Automated benefit calculation including automated data input</p>
	<p>Need to make interim payments</p>	<p>A mechanism to exchange data is required to secure electronic data from Federal agency personnel and payroll systems</p>
<p>Accurate and timely deductions for retirement from covered employees and their respective agencies</p>	<p>Inability to provide employee specific deductions at the participant level</p>	<p>A mechanism to exchange withholding data is required to secure electronic data from Federal agency personnel and payroll systems</p> <p>Data exchanged must include payroll retirement deductions at a participant level</p>
<p>Flexibility to adapt to changes in the law, business processes and procedures, and technology</p>	<p>Difficulty of the Retirement program systems and processes to adapt to changes in the law, business processes, and technology</p>	<p>Information Technology systems and processes must be maintainable and scalable to adapt to changes in the law</p>
<p>Appropriate internal controls</p>	<p>Difficulty in providing adequate audit control/trails for the Retirement Program</p>	<p>Information Technology systems must support audit controls and audit trails</p> <p>Information Technology systems must support multiple security levels and firewalls</p>
<p>Timely, accurate, consistent, and complete data</p>	<p>Data is dispersed throughout the Government, compiled and transferred in manually</p>	<p>A single data source is required to maintain retirement related data</p> <p>Creation or modification of retirement data must be provided by agency in a timely manner to support OPM turnaround times</p> <p>A mechanism to exchange data is required to secure electronic data from Federal agency personnel and payroll systems</p>

### Three Pesky Questions

*Does the investment support core/priority mission functions that need to be performed by the Federal government?*

OPM provides lead responsibility for human resource management in the Federal government. OPM oversees the implementation of policies so that agencies uphold national values; manages government-wide compensation, retirement, insurance, and benefit systems; and maintains automated information systems on Federal employment opportunities and the nature and size of the current workforce. In this capacity, OPM provides high-quality, cost-effective services to the public and more than two million government employees in over 100 different agencies worldwide.

A key component of OPM's government-wide responsibility is the management and administration of the primary Federal retirement programs. This includes, among other services, collaborating with Federal agencies in member administration, collecting and crediting contributions from employees and agencies, providing benefits counseling, processing benefits claims and paying benefits, making required changes to benefits payments, withholding and paying allotments for various withholdings from retirement payments and managing a Trust Fund in excess of \$463 billion. Providing these services is central to OPM's mission and strategic goals, in particular, its goal to *SERVE: OPM's high quality, cost-effective human resources services meet the evolving needs of federal agencies, employees, annuitants, and the public.*

*Does the investment need to be undertaken because no alternative private sector or governmental source can better support the function?*

OPM is especially well suited to administer the retirement programs. As the government's lead human resource agency, OPM can ensure consistent interpretation of rules and regulations governing the programs and leverage its considerable experience in developing and applying standardized tools and applications across the full range of participating government agencies. Most important, OPM has demonstrated its capacity to meet complex, changing legislative requirements, while at the same time providing quality, cost-efficient, and timely services to a total number of participants that far exceeds that of any private organization. As a part of developing the Concept of Operations and before deciding to proceed with reengineering the retirement systems, OPM conducted a benchmarking study of private and public sector organizations that provide retirement services to their employees, or who provide retirement services as third party providers to other companies. None of the organizations were providing services within the same scope as our programs - number of participants, combination of decentralized and centralized components and functions, and complexity of business rules combined with frequent legislative changes. It is unlikely at this time that any private sector organization, balancing the need for long-term commitment to the program against the inherent business risks involved, would find it to be in its best interest to take over administration of the retirement programs, considering the need to meet existing compliance requirements, service the number of participants currently in the retirement programs, and be willing to assume the financial risk inherent in determining benefit

coverage, managing the Trust Fund, and investing in the systems and staff necessary to manage a program of this size. Based on this, we concluded that OPM can accomplish this function better.

*Does the investment support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology?*

OPM is currently conducting activities of the Retirement Systems Modernization project that include the reengineering of the retirement systems. No acquisition investment will be made until the processes and organization have been redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf software (COTS). The following sections of the Justification describe the remaining activities of the reengineering process and our strategy for technology investment, beginning in FY 2001.

### **Completion of the Reengineering "Planning Phase"**

#### **FY 1999**

By the end of FY 1999, planning progressed to the completion of the "to-be" model of the process architecture and the completion of a high-level design of the technology architecture. These initial models describe how the future organization will look. The organization component defines the skills that will be required to perform in and support the redesigned processes. The process component depicts the work processes in the reengineered environment. The technology component begins to document the databases, functional architecture, communications, and networking required to support the redesigned business processes. In addition, two prototypes, the Retirement Calculator and the Benefits Booklet were developed. These prototypes will provide an immediate and measurable improvement to the retirement program and its customers, and at the same time, benefit the Modernization effort as it moves toward the ultimate vision. Work on the Coverage Determination Application prototype was begun and will be completed in FY 2000.

#### **FY 2000 and FY 2001**

Additional planning activities will be undertaken in FY 2000 and conclude in FY 2001. These activities include the development of the Core Process Blueprints, the Organizational Blueprints, and the Technology Blueprints. Also, specified technology prototypes will be developed in FY 2000, including a prototype implementation of the Coverage Determination Application. Other prototypes may be undertaken, e.g., a data gateway, subject to FY 2000 budget constraints. Remaining planning phase activities will be performed in FY 2001 and include development of the Transition Plan, Training Plan, and a re-assessment of the Business Case. The FY 1999 Capital Asset Plan included information regarding the planning activities that will be undertaken as a part of Retirement Systems Modernization. It also included the exit criteria that indicate a

planning activity (which is a group of planning tasks) is complete. Exit criteria are not restated in this plan update.

### *Performance Measures*

Before the process blueprints are developed, the balanced scorecard measures that were developed in FY1998 will be analyzed and refined to ensure that the process blueprints, and the redesigned processes, will accomplish the business goals sought by Retirement Systems Modernization. The refined performance goals will measure the success of the Modernization effort and will be the basis for many of the goals in the OPM annual performance plan as required by the Government Performance and Results Act (GPRA). Performance measures in the remaining quadrants of the balanced scorecard will be refined as the organizational and technology blueprints are developed.

### *Process and Technology Blueprints*

The FY 1999 plan provided specifics about the process blueprints and technology architecture. Process redesign changes the steps, the inputs and outputs of a process, and identifies the technology needed to enable the changes. The technology blueprint will define the systems that will support the redesigned processes, including the selection of COTS packages. These blueprints will be developed in FY 2000 and 2001, and will form the detailed design of the processes and the technology that will support them. Four core processes will be completed during FY 2000—Member Administration, Benefits Counseling, Claim to Payment, and Annuity Roll Maintenance. The remaining processes, Employee Withholding and Trust Fund Management, will be completed in FY 2001.

### *Organizational Blueprint*

Process redesign is not the whole reengineering story. Most organizations use their human resources inefficiently: their organizational arrangements interfere with productivity and effectiveness – such as the wrong goals being pursued, inappropriate methods used, or cooperation made difficult. The structures of many federal agencies have these shortcomings. The organizational blueprint that will be developed in FY 2001 will accomplish improved performance by addressing, and eliminating where they exist, organizational design problems created by:

- overspecialization of most jobs
- over-reliance on supervisors to control behavior
- overly investing in the status quo
- lack of interdependence among activities
- reward systems that do not encourage the desired performance
- over centralization of information and authority
- undervaluing of human resources
- not enough attention to the world outside the organization

Although OPM redesigned the agency to address some of these issues, RIS must be redesigned to align with the redesigned processes to achieve the needed improvements. An organizational blueprint describes the future state of the organization from the perspective of how people will be organized and how they will function. The future organization is described by developing models for strategic direction and leadership, culture and values, organization structure and staffing, relationships, performance and rewards, and learning. The result is a comprehensive model, an "operational vision," of what the new organization will look like and how it will function described in enough clarity to evaluate the benefits, prepare plans and guide transition activities. Like the facilitating technology, the organizational blueprint is essential to making the redesigned processes work.

### *Transition Plan*

Transition planning will follow the completion of the last blueprint in FY 2001. Transition planning entails performing several activities to prepare the organization to move from its current to its future state. Major activities include performing a gap analysis to gauge the level of change, defining a transition approach that includes a risk analysis, interim performance targets and a timeline, and developing a communications plan for the overall transition.

Almost all new process implementations are accompanied by confusion, frustration, and panic. Our transition strategy must minimize these reactions and keep the initial new process disruption to a manageable level, while maintaining the focus of the reengineering team and faith of the employees.

### *Training Plan*

To transition our workforce, we will also inventory the current skills of the workforce and compare them against the new skill requirements in FY 2001. After this is complete, we will design the training needed to transition the workforce. There will be two types of training: one addresses the operational skills needed in the new jobs and one addresses the new or modified systems. Operational skill training will be planned the same time as the transition plan is created. System training will be given with each technology increment. These will form the basis for the training plans that will address what is needed for the employees to perform their roles in the modernized retirement system.

### *Business Case*

In addition, we will update the business case in both FY 2000 and FY 2001 to incorporate new information from the blueprints and to prepare for the acquisition phase of Retirement Systems Modernization.

## Modernization Implementation Approach

### *Cost and Time Implications*

Redesigning processes may take only a few months, but our current processes and systems took decades to create and cannot be redone in a few months. The cost and time to complete any reengineering implementation depends on:

- number and complexity of business processes
- severity of changes
- number and size of organizations directly involved and affected
- amount and type of new technology applied
- resistance of the culture to change

The following provides highlights of information resulting from our "to-be" model that affect the cost and time of implementation.

**Number and complexity of processes:** Two processes become "transparent" to employees administering the retirement system: Benefit Claim to Payment and Employee Withholdings, Deposits, and Agency Contributions, Capture to Credit. This is because the processes become almost fully automated. While this decreases the complexity of these processes, it greatly increases the amount of technology that supports them. At the same time, the time involved in manual, paper-based processing is reduced sharply. Automating these processes should reduce the time to process a typical annuity application to less than a day. The average for all annuity processing reported for OPM in the FY 2000 Performance Plan report is currently 23 days.

**Severity of changes:** We are adding several new customer service functions and radically changing the structure of most of the processes, which requires modern technology to implement. As reported in the FY 2000 Performance Plan report, OPM plans to handle about 1,072,000 annuity inquiries (a 10% increase), and annuity roll processing time is planned to be reduced to 4 days. We expect to dramatically reduce these planned processing times while handling even more inquiries with greater customer satisfaction. When we complete the last module, for many change requests, customers will be able to self-service their own accounts from anywhere at anytime, with immediate results.

**Number and size of organizations directly involved and affected:** Retirement Systems Modernization is a high impact project. In addition to the changes at OPM, over 300 payroll and 500 personnel offices, most with different automated systems and geographically distributed internationally, will be profoundly affected in the way they interact with the retirement system. Other organizations will be affected as well, such as Social Security Administration, Office of Workers' Compensation Programs, and Department of Treasury. Employing agencies currently interface with the retirement system using time consuming paper exchange. We will replace the paper with electronic data exchange. Agency resource requirements will be reduced yet their ability to provide accurate benefits counseling to employees will be dramatically increased.

**Amount and type of new technology applied:** As stated before, two processes will be almost entirely automated and we are adding new customer service functions that require modern technology to implement. We must enhance or replace those legacy systems preventing us from meeting our performance goals. As part of our planning for technology, our contract requires the technology contractor to conduct reviews that address design alternatives. This approach, as well as our technology architecture, will ensure our technical decisions are sound, are not driven by technology but by our business needs, and are the most cost-effective, best fit to achieve our operational goals.

**Resistance of the culture to change:** The most difficult aspect of reengineering is living through the change: getting people to let go of their old ways and embrace new ones. Not only do jobs and skill requirements change, but attitudes, beliefs, and styles must change. The work the people perform must be measured and managed in new ways as well. Resistance to these changes is natural and overcoming it requires many different strategies, including incentives, information, intervention, indoctrination, and involvement. Our transition strategy will minimize resistance by employing these strategies.

### *Strategy*

The Retirement Systems Modernization strategy is based on achieving improved productivity and business process efficiency, eliminating or reducing document handling, providing program-wide applications and data to standardize operations, harnessing the potential of the Internet, integrating and modernizing outdated legacy systems, and strengthening the internal work force and participating Federal agency benefit counselors.

Retirement Systems Modernization acquisition is predicated on the successful completion of the planning activities and is planned to begin in FY 2001. The overall strategy for the Modernization effort calls for developing high-priority, standardized applications (e.g., production versions of the coverage determination application, benefits calculator, and data-exchange gateway) early in the acquisition process to improve accuracy and obtain initial savings. The strategy also is based on a sequential approach to populating the integrated data repository by segmenting customer groups. The combination of the applications and the segmented population of the data base will begin to deliver concrete benefits by the end of 2001. Other important concerns in determining the acquisition strategy are continued improvement to customer service, increased employee productivity, and proactive planning for workload management.

### *Modules/Useful Segments*

Modernization acquisition has been designed to consist of four integrated modules:

- Solutions and Infrastructure Design
- Legacy Systems Modernization, Phases I and II
- Program-Wide Solutions, with a second phase, Continued Federal Agency Rollout
- Interactive Customer Solutions

The modules reflect an incremental, phased approach to achieving the overall Modernization effort vision. Although each is a useful segment, the modules are interrelated and not mutually exclusive. Each module addresses important business needs and will provide considerable financial and non-financial benefits that exceed the cost of the module's implementation. Implementing some modules and not others, however, would prevent the achievement of overall improvements needed to keep from being overwhelmed by increasing workloads. Each module is critical to the success of the Modernization effort.

The modules concentrate on acquiring applications to meet immediate, high-priority business needs; they populate the integrated data repository by segmenting the employees and annuitants into key customer groups; and they focus on delivering concrete financial benefits as early in the implementation process as possible.

The following table depicts each module and the applications for each, the customer segments affected, and the core processes the module would serve.

*Retirement System Modernization Modules*

Title	Solutions and Infrastructure Design	Legacy System Modernization, Phase I & II	Program-wide Solutions and Continued Federal Agency Rollout	Interactive Customer Solutions
Application	<ul style="list-style-type: none"> <li>• Data Exchange Gateway</li> <li>• Integrated Data Repository</li> <li>• Coverage and Eligibility Determination Application</li> <li>• Benefits Calculator</li> </ul>	<ul style="list-style-type: none"> <li>• Modernized Legacy Systems</li> <li>• Case Management/Workflow Management</li> <li>• Document Management</li> </ul>	<ul style="list-style-type: none"> <li>• Validation of Ongoing Annuity Eligibility (Surveys &amp; Matches)</li> <li>• Knowledge Tools</li> <li>• Performance Management Tools</li> <li>• Content Management Tool</li> <li>• Data Exchange Gateway, Release 2</li> <li>• Coverage and Eligibility Determination Application, Release 2</li> <li>• Benefits Calculator, Release 2</li> </ul>	<ul style="list-style-type: none"> <li>• Internet</li> <li>• IVR</li> <li>• Call Center</li> </ul>
Customer Segment	<ul style="list-style-type: none"> <li>• Employees Two Years from Retirement</li> <li>• New Hires</li> <li>• Transfers</li> <li>• Separating Employees (Deferred Vested)</li> </ul>	<ul style="list-style-type: none"> <li>• Annuitants</li> </ul>	<ul style="list-style-type: none"> <li>• Annuitants Requiring Changes/Annuitant Inquiries</li> <li>• New Claimants</li> <li>• Current Federal Employees</li> </ul>	<ul style="list-style-type: none"> <li>• Annuitants Requiring Changes</li> <li>• New Claimants</li> <li>• Current Federal Employees</li> </ul>
Associated Core Process	<ul style="list-style-type: none"> <li>• Claim to Payment Initiation</li> <li>• Member Administration</li> <li>• Benefits Counseling</li> </ul>	<ul style="list-style-type: none"> <li>• Annuity Roll Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Withholdings, Deposits, and Agency Contributions, Capture to Credit</li> <li>• Trust Fund Management</li> </ul>	<ul style="list-style-type: none"> <li>• Member Administration</li> <li>• Annuity Roll Maintenance</li> </ul>

**Solutions and Infrastructure Design**

Module 1, Solutions and Infrastructure Design, meets immediate priority needs. The Solutions and Infrastructure Design module includes:

- Development of production versions of the coverage and eligibility determination applications and the benefits calculator
- Deployment of the technical infrastructure required for the production version of the benefits calculator, coverage and eligibility determination application, the data gateway, and the integrated data repository

- Design and implementation of the database to support the integrated data repository and the electronic transfer of agency data via a data gateway

The core of Module 1 is the acquisition of the integrated data repository. This repository is central to the success of all other systems envisioned in the Modernization effort. Module 1 applications will interface with the integrated data repository. This characteristic is a key distinction from any earlier developed prototype versions of these applications. Population of the database begins in this module. Three pilot agencies will be initially identified to test interfaces for electronic data transfer to begin this population. The customer segments receiving priority attention will be (1) employees that are two years from retirement; (2) new hires; (3) transfers; and (4) deferred vested employees. This module will be coordinated with Human Resource Data Network initiative sponsored by the Human Resources Technology Council to ensure that OPM maximizes the efficiency of data collection from other Federal agencies.

The components of Module 1 lay the foundation for the entire project. They support three core retirement system business processes: *Member Administration*, *Benefits Counseling*, and *Claim to Payment Initiation*. Reengineering and support of these core processes with new applications will result in substantial improvements in process efficiency, employee productivity, and high levels of financial and non-financial benefits. The other Modules complement and augment the business process reengineering and technical development work completed in Module 1. Implementation of Module 1 will begin in FY 2000 and be completed in FY 2002.

### Legacy Systems Modernization, Phase I and II

Module 2, Legacy Systems Modernization, is a critical component in realizing the Modernization vision. The work involves evaluating current systems in light of the reengineered *Annuity Roll Maintenance* core process to determine relevancy, fit, and capability. Five criteria will be considered:

- Maintainability—Are the languages supported and do they meet current standards?
- Scalability—Can they support increased workloads and technologies?
- Usability—Can they be adapted for use in an Internet/Intranet environment and are they easily modified to meet new legislative and production requirements?
- Performance—Do they meet required performance, response and delivery needs?
- Cost—Is the cost of upgrading or replacing any given system worth the accrued benefits?

Whenever replacement of a legacy system is required, Commercial Off-the-Shelf (COTS) packages and/or existing government owned application packages will be investigated as the first step in determining the best modernization solution. Case management/workflow applications will be an integral part of this solution. Best-of-breed systems will be researched and analyzed, and recommendations for make/buy decisions will be made in close collaboration with appropriate stakeholders. Final implementation will use well

defined, standardized methodologies for software development and systems integration. Data conversion and migration into the new system solution will be time consuming but essential in capturing key information on current annuitants.

Initial planning and analysis of the Legacy Systems Modernization module is planned to begin in the last quarter of FY 2001. The objective will be to determine the systems that are high priority for integration into the Modernization effort's infrastructure during Phase One. Lower priority systems and those not requiring integration will be addressed in Phase Two, scheduled to begin in FY 2004 and extending until the end of FY 2006.

### **Program-wide Solutions and Continued Federal Agency Rollout**

Module 3, Program-Wide Solutions, is a continuation of Module 1. It includes additional releases of the coverage and eligibility determination application, the benefits calculator, and the data gateway applications to enhance the applications' usability and extend their coverage to include more extreme case complexities. Module 3 also includes implementing a number of knowledge and performance-based management applications to leverage the centralized database of Federal employee information. The performance-based management applications will contribute to improved financial accuracy (e.g., ability to validate annuity payment levels among individuals in similar benefit categories and reduce payment error rate, facilitate proactive planning and workload management).

Module 3 supports two Retirement Program core processes: *Employee Withholdings, Deposits, and Agency Contributions, Capture to Credit and Trust Fund Management*. Continued effort will be focused on populating the data with additional customer segments, particularly current Federal employees. Planning for Module 3 will begin late in FY 2002 and continue to FY 2004. The second phase, Continued Federal Agency Rollout, will continue until the end of FY 2006 as more agencies develop the system interfaces necessary for integration into the centralized database.

### **Interactive Customer Solutions**

Module 4, Interactive Customer Solutions, is a comparatively small initiative, implemented in FY 2001 to FY 2002. It focuses on employing self-service, interactive Web-based applications, and Call Center interactive voice response (IVR) systems. These tools will affect all Retirement Program business operations but especially the *Member Administration and Annuity Roll Maintenance* core processes. The tools will reduce paper work and facilitate data entry into the integrated data repository, particularly for new employees and annuitants requiring simple data changes. Most importantly, interactive customer applications will allow OPM to be on par with changes in technology, maintain its high level of customer service and, at the same time, meet its constituents' growing expectations for real time, electronic means of communication with service providers.

The following chart shows the applicable OPM and RIS strategic goals supported by each module.

<p><b>OPM STRATEGIC PLAN GOAL I: LEAD</b></p> <p><i>THE FEDERAL GOVERNMENT EFFECTIVELY RECRUITS, MANAGES, AND RETAINS A HIGH QUALITY AND DIVERSE WORKFORCE EVEN AS THE LABOR MARKET AND WORKPLACE UNDERGO SIGNIFICANT AND CONTINUOUS CHANGE</i></p>	<p>Federal employee benefits continue to be comprehensive and competitive, support total compensation reform, and include offerings such as long term care, mental health and substance abuse parity, and new life insurance products.</p>	<ul style="list-style-type: none"> <li>• Solutions and Infrastructure Design</li> <li>• Legacy System Modernization, Phases 1 &amp; 2</li> <li>• Program-wide Solutions and Continued Rollout</li> <li>• Interactive Customer Solutions.</li> </ul>
<p><b>OPM STRATEGIC PLAN GOAL III: SERVE</b></p> <p><i>OPM'S HIGH QUALITY, COST-EFFECTIVE HUMAN RESOURCES SERVICES MEET THE EVOLVING NEEDS OF FEDERAL AGENCIES, EMPLOYEES, ANNUITANTS, AND THE PUBLIC.</i></p>	<p>These major human resources programs provide Government-wide cost-effective service that meets or exceeds customer expectations. Insurance benefits are quality-driven and based on informed choice; retirement benefits are more timely and cost-effective.</p>	<ul style="list-style-type: none"> <li>• Solutions and Infrastructure Design</li> <li>• Legacy System Modernization, Phases 1 &amp; 2</li> <li>• Program-wide Solutions and Continued Rollout</li> <li>• Interactive Customer Solutions</li> </ul>
<p><b>OPM STRATEGIC PLAN GOAL IV: SAFEGUARD</b></p> <p><i>THE EMPLOYEE BENEFIT TRUST FUNDS ARE MODELS OF EXCELLENCE AND INTEGRITY IN FINANCIAL STEWARDSHIP.</i></p>	<p>The Trust Fund financial systems are in full compliance with the Federal Managers' Financial Integrity Act (FMFIA) by 2003.</p>	<ul style="list-style-type: none"> <li>• Solutions and Infrastructure Design</li> <li>• Legacy System Modernization, Phases 1 &amp; 2</li> <li>• Program-wide Solutions and Continued Rollout</li> </ul>

*Performance Goals for Processes, Organization, and Modules*

As stated in the FY 1999 Capital Asset Plan, a reengineering phase performance goal for blueprint development is to refine performance measurement goals and targets for the modernized retirement system to an operational level. The goals and targets refined during blueprint development will build on the balanced scorecard framework we created earlier. In addition to measuring the success of the processes and organization, the refined goals will form the basis for the next level of detail, establishing the technical performance requirements for the four modules. (For example, if a process must be completed in a day, the automated portions must perform their tasks in less than a day.) To measure achievement of these operational goals, we will use many of the measures currently used and reported in our annual performance plan. So doing will provide a baseline against which to compare our success.

In addition, in the supporting business case for this year's plan (FY 2001), we documented several new measures that might be used to determine whether we have reached our goals. Measuring incurs overhead, however, so the utility of each new measure will be validated during the blueprint for that process. We will report the final, validated measures to you for those process blueprints that have been completed in the FY 2001 Capital Asset Plan. The final, validated measures for the remaining processes will be reported in the FY 2002 Capital Asset Plan, which is due shortly after the remaining blueprints are completed in FY 2001.

The areas measured will address each of the OPM and RIS strategic goals, as well as the operating goals for the Modernization effort reported in the FY 1999 plan. In general, four kinds of measures will be taken:

- customer/agency/employee satisfaction measures
- process and sub-process cycle time measures
- accuracy rate measures
- cost measures

Because these measures will be validated before module implementation, they will be ready to support post-implementation reviews, as well as continuing operational analysis.

#### **B. Program Management**

Is there a program manager and contracting officer devoted to the project? Yes.

Will an Integrated Project Team be established to assist with the Management of the project? Yes.

In addition, the project organizational and management structure described in the FY 1999 Capital Asset Plan remains the same.

#### **C. Acquisition Strategy**

The acquisition strategy, reported in the FY 1999 Capital Asset Plan as Contract Strategy, remains the same.

#### **D. Financial basis for selecting the project**

We tasked our contractors to update our previous business case, to incorporate the new information from the "to-be" model. The Modernization project remained the most cost-effective of the alternatives analyzed. Unlike the other alternatives, Modernization will close the gap between our business requirements and operating objectives. Factors considered in the analysis included: operational effectiveness, functionality, acquisition cost, life-cycle cost, benefits, maintainability, and risk.

The methodology used was based on benefits/costs analysis methodologies recommended in "OMB's Capital Planning Program Guide, OMB's Guide in Evaluating IT Investments," "GAO Improving Mission Performance Through Strategic Information Management and Technology Guide," and "GAO Measures of Performance and Demonstrated Results of IT Investment Guide."

The Modernization effort is a dynamic project that will continue to evolve as we refine our planning. As a result, several high-level assumptions were made about the overall scope and implementation schedule of the Modernization effort to complete this year's business case analysis. These assumptions are listed below. More specific assumptions governing the interpretation of cost and benefits data are discussed in the business case.

- The implementation schedule is aggressive but realistic. It reflects a current contract completion date of May 2004. Full implementation, however, will extend through FY 2006. Project implementation cost estimates for Phase II of the Legacy Systems Modernization will be refined after asset planning (requirements, design, proof of concept/prototype) has been completed.
- OPM currently has more than 40 legacy applications that support its data and information needs. Cost estimates to modernize these systems are based on industry experience and do not represent a detailed analysis of existing systems.
- Although OPM has the authority to specify the form and format of retirement records, implementation of program-wide applications is dependent on agency cooperation and acceptance of select Modernization applications and their own technical and financial resources to install appropriate system interfaces.
- Organizational development and change management efforts will support every phase of the Modernization effort implementation.
- The cost-benefit analysis is based on conservative estimates. Data and assumptions underlying the cost-benefit scenarios included in the quantitative financial analysis were verified wherever possible. The calculations do not reflect contractor rate increases or the rate of inflation.
- Costs incurred for the initial business process reengineering planning phase in FY97-98 were reprogrammed funds from an earlier technology project. These costs were considered sunk costs for the purposes of this analysis (i.e., they were not a decision variable in undertaking the project or considering alternative implementation strategies). They have not been included in the cost-benefit analysis.
- This analysis assumes the cost of implementing "OPM Architecture Standard" system elements in areas where the technical architecture and applicable standards are not fully defined. This is the most conservative (i.e., expensive) approach that can be taken.
- No reductions on the cost of technology improvement were considered in the analysis.

- The training cost to use Modernization by other agency staff will be assumed by those agencies; the agencies will also reimburse OPM for their trainers' expenses.
- The most expensive potential COTS package to perform Retirement Program functions was assumed. This cost was based on our initial survey of products and the need for a "full function" capability.

*Life cycle cost estimate*

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	TOTALS
Category A	0.6	0.8	1.0	1.0	1.0	1.0	1.0	1.0	7.4
Reengineering/Planning*	5.65	5.25	11.65	6.35	2.85	2.85	2.45	2.45	39.5
Acquisition	0.0	0.0	7.7	47.5	34.1	0.0	0.0	0.0	89.3
Maintenance Increase	0.0	0.0	0.1	1.4	2.8	2.8	2.5	2.4	12.0
IV & V	0.45	0.45	0.55	0.65	0.75	0.65	0.65	0.65	4.8
Total	6.7	6.5	21.0	56.9	41.5	7.3	6.6	6.5	153.0

\* Planning costs prior to FY 1999 are not included in this chart - see assumptions above.

*Results of Cost-Benefit Analysis*

Savings accruing to the Modernization acquisition consist of net savings, cost avoidance, potential savings, and non-financial benefits. The most compelling argument based on savings for Modernization acquisition is in cost avoidance. Given projected workloads, current productivity, and customer service levels, OPM can accomplish its mission in the future only through increasing its workforce at considerable additional cost. This assumes, however, that current processes and technology are scalable and that future results can be reasonably extrapolated. In addition to the cost avoidance savings, the potential savings, and the non-financial benefits, it is clear that the Modernization effort provides significant benefit to the Federal government, its employees, and its retirees, and their families.

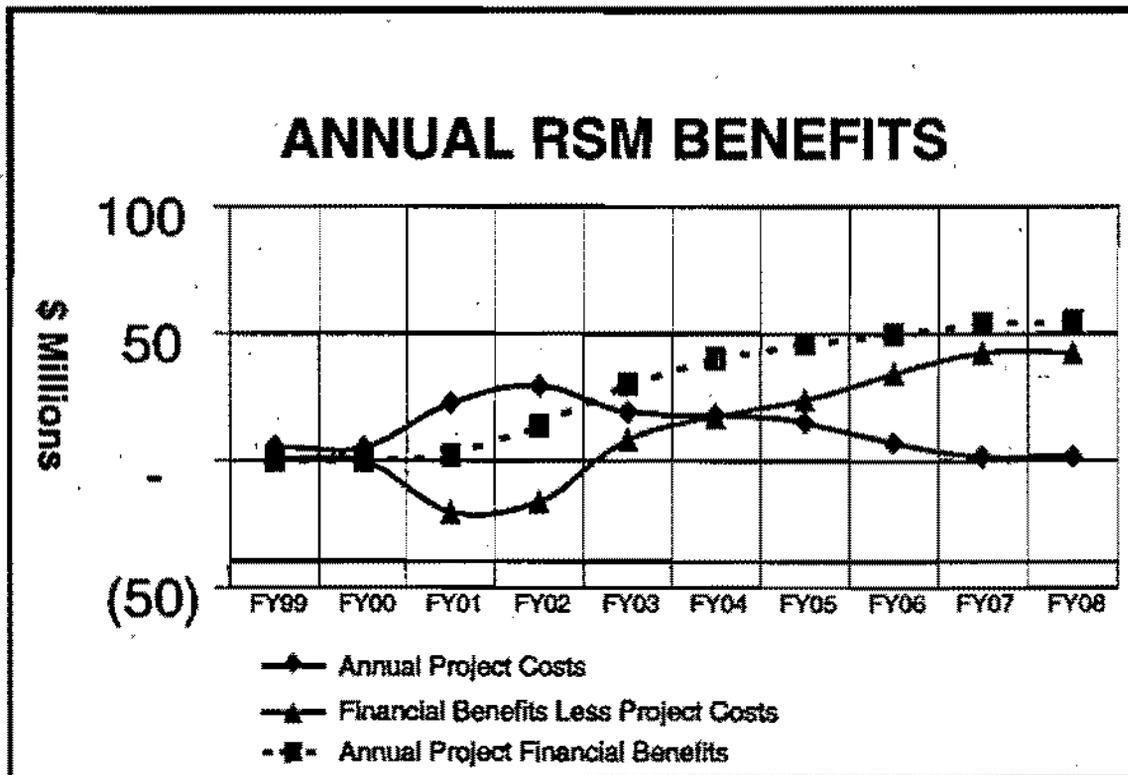
**Cost Avoidance** Virtually all of the financial benefits expected to result from the Modernization effort will result from increasing labor productivity by improving process and handling efficiencies and reducing the per unit cost of operations (in most cases, by eliminating paper processing). These financial benefits from labor saving will be accrued by OPM and the participating agencies. The benefits are not net savings (OPM's rapidly increasing workload limits opportunities for achieving real net savings) but rather cost avoidance. Additional costs to hire personnel to maintain current processing rates and customer service levels will not be incurred. These labor savings by OPM and the participating agencies are considered real financial benefits for the business case analysis.

Project investment costs to fully deploy the modernized system are substantial but amount to only one-third of the labor savings and cost avoidance that will be realized over the ten-year time period considered in the Business Case Analysis (BCA). Recurring computer operating costs under the current conditions and in the new working environment have also been considered and amount to a moderate increase for the Modernization effort, reflecting in part the additional functionality over existing systems that will be provided by the Modernization effort. The result is a strong financial

justification for the Modernization effort implementation. Total estimated savings are over \$300 million.

The following graph displays the total Modernization costs, benefits, and net financial benefits. It includes the following:

- Annual Project Costs—components of this line include the annual investment costs plus the annual operational costs for the retirement operations system.
- Annual Project Financial Benefits—represents total annual financial benefits.
- Financial Benefits less Project Costs—represents the difference between the annual Financial Benefits and annual Operational Costs or the estimate of net annual benefits.



The graph depicts the cost-benefit relationship over ten years from FY 1999 through FY 2008. After an initial investment period from FY 1999 through FY 2002, the line shows that project Financial Benefits Less Operational Costs cross the X-axis (0) in early FY 2003 and continues to grow through FY 2006. The line shows Total Project Costs reaching a peak in mid FY 2002 followed by a decline in costs from FY 2003 through FY 2006. Annual Project Financial Benefits begin to climb in late FY 2001 and continue to increase through FY 2006.

*Tangible Returns Not Included in Cost-Benefit Analysis*

**Potential Savings** Potential savings attributable to the increased functionality of modernized systems were also considered. OPM annuity payment errors represent one

area that falls into this category. No savings from any change in the error rate or the improved financial accuracy expected to result from the Modernization effort were included in the cost-benefit financial analysis.

In the course of meeting its legal requirement to provide accurate benefit payments, OPM performs regular quality assurance reviews to determine the validity, quality, and timeliness of adjudicating benefits for first-time CSRS and FERS annuitants. These reviews have found, on average, that 7.7% of original FERS adjudications and 7.3% of CSRS adjudications contain errors. These errors result in overpayments estimated to be \$80 million per year, while the total amount underpaid is estimated to be \$60 million – a total of \$140 million incorrectly paid. These estimates are based on data from the eight FERS and eleven CSRS quality assurance reviews conducted over the last five years and projections by OPM on the total number of claims filed each year.

Quality assurance analysis shows the errors are generally the result of making complex calculations requiring manual data entry. One of the key elements of the Modernization effort is to standardize the benefit calculations by using an automated benefits calculator that eliminates much data entry. The benefits calculator will reduce the error rate and the total value of benefit payment errors. Workplace productivity will also be improved since the majority of benefit payment calculations will be streamlined, reducing data entry errors and eliminating rework associated with errors. Any potential savings to the government would be difficult to estimate, but any reduction in overpayment and underpayment errors would easily amount to millions.

**Non-Financial Benefits** Retirement Systems Modernization will also deliver a range of non-financial benefits in direct response to the objectives of the Modernization effort:

- ❑ *Accurate and timely payments to benefit recipients* by eliminating errors in calculations, modernizing non-integrated legacy systems, linking numerous scattered databases, improving operational efficiency, enhancing maintenance and scalability, increasing functionality and performance, and improving training of program staff.
- ❑ *Prompt, accurate and consistent customer service* by improving turnaround times on applications, change requests and inquiries, introducing new Internet and IVR self-service mechanisms and providing access to the integrated data repository and electronic files for inquiry response and request processing without handoffs, follow-up phone calls or retrieval of paper files from the Boyers facility.
- ❑ *More robust, accurate and consistent retirement counseling* by implementing a benefits calculator that will model various retirement options for members and allow for improved financial planning, strengthening counselor training and providing the integrated data repository and knowledge support tools that will guide the Benefits Counselor through the customer service process.
- ❑ *Accurate and timely deductions for retirement from covered employees and their respective agencies* by implementing an automated, standardized process for coverage and eligibility determinations, eliminating or reducing coverage errors,

automating electronic data exchanges between OPM and Federal agencies, improving the timeliness of operations, and replacing paper reporting and reconciliations.

**Technology Costs** In order to modernize the retirement system, commercial off-the-shelf (COTS) software packages will be purchased. The most expensive annual charge for a retirement package from our initial analysis was included in the business case. Telecommunications expenses for self-service communications, interagency communications, and intra-agency communications will increase substantially. Maintenance of the new custom Benefit Calculator, Coverage Determination Application, and Data Exchange Gateway will be performed by the maintenance programming staff. However, the use of the COTS package and new development tools will cause this expense to decline. Cost estimates were based on IBM experience and Washington Technology Center and OPM fiscal year budget data. Although the cost of technology can be expected to decline, no reductions in technology costs have been assumed.

#### *Computer savings*

Over the project's life cycle, a net increase in computer operational costs amounts to approximately \$12.0 million over the 8-year period from FY 1999 through FY 2006. These figures represent the difference between recurring costs for implementing the Modernization project and the recurring costs for the "as-is" state or not implementing Retirement Systems Modernization.

If left unchanged, the current on-going development costs will double over seven years. The contributing factor is the increased costs of highly skilled COBOL/VSAM programmers. Colleges are not producing COBOL/VSAM programmers and most are currently reaching retirement age. Furthermore, maintaining the retirement system will require very experienced programmers. On average, COBOL programmers are more highly paid than even their systems software programmer counterparts. The demand could create a shortage for this skill set in the future. The baseline amount came from RIS' Systems Modernization and Maintenance Division's FY 99 budget allocation. The FY 99 budget is calculated from the expenditures and recurring costs from previous years.

The difference between recurring RIS operating costs with the Modernization effort and the estimate of status quo computer costs is the costs attributable to Modernization that begins in the FY 2001. These are shown on the first page of this year's plan.

#### *Key Assumptions Affecting Cost and Schedule*

The risks we discussed in the FY 1999 Capital Asset Plan that would adversely affect cost and schedule remain the same. In addition, we assume the following:

- Adherence to the Human Resources Technology Council's (HRTC) Federal Human Resource Data Network requirements will not require significant rework. This initiative is at an earlier stage than the Modernization effort and requirements may not be completed until much of the Modernization effort's technical design is completed.

- Process and technology blueprint designs will not significantly change from the high level designs developed in the "to-be" model because information most affecting these designs is already known.

*Programmatic Risk*

The risks identified in the FY 1999 Capital Asset Plan remain the same.

*Risk Mitigation Strategies*

We are continuing the risk mitigation strategies reported in our FY 1999 Capital Asset Plan. In addition, we are coordinating with the Human Resources Technology Council's (HRTC) Federal Human Resource Data Network initiative to ensure that our modernized retirement systems conform to the HRTC vision for government-wide electronic record keeping for human resources. This coordination will ensure that OPM maximizes the efficiency of data collection from Federal agencies. Coordination with the HRTC is also a significant risk that we described in *Key assumptions* above. New risks and strategies identified are summarized in the chart on the following pages.

**Risk Mitigation Strategies**

		Risk Mitigation Strategy
Schedule Longevity	1. Losing commitment of OPM leadership that is required to maintain momentum of Modernization effort.	<ul style="list-style-type: none"> <li>• Continue active involvement of RIS Senior Executives in all phases of the project</li> <li>• Continue inclusion of RSM Executive Steering Committee to verify, validate, and approve major project decisions</li> </ul>
Technical Feasibility	1. Dependence on agencies to meet technology requirements and participate in program-wide data capture	<ul style="list-style-type: none"> <li>• Develop flexible data repository to allow agencies at different levels of technical advancement to have both access and the ability to feed the repository</li> <li>• Demonstrate benefits to agencies using developed systems</li> <li>• Communicate OPM's measures of success as a result of leveraging technology</li> </ul>
	2. Dependency on outside organizations for electronic information	<ul style="list-style-type: none"> <li>• Continue to communicate the Modernization effort to outside organizations to build buy-in</li> </ul>

Risk Category	Potential Impact	Risk Mitigation Strategy
<b>Program Management</b>	1. Loss of momentum or limited demonstration of success	<ul style="list-style-type: none"> <li>• Provide tangible results early using a modular implementation approach</li> <li>• Establish a performance measurement program to increase visibility and demonstrate progress of RSM</li> <li>• Continue to communicate how Modernization effort addresses the need for change</li> </ul>
	2. Complexity of implementation	<ul style="list-style-type: none"> <li>• Develop phased implementation approach for the RSM vision.</li> <li>• Ensure appropriate project team expertise and experience aligns with specific implementation projects and tasks</li> </ul>
	3. Time and cost associated with converting existing paper records into electronic form	<ul style="list-style-type: none"> <li>• Develop a plan to prioritize data conversion (e.g., predict and convert those participant records that are most likely to be accessed in the near future first)</li> <li>• Allow for on-demand, quick response (e.g., same day) conversion of a participant's records when requested</li> <li>• Allow appropriate stakeholders (including agency staff) to provide input into the prioritization process</li> </ul>
<b>Skills</b>	1. Limited number of resources with skills in new technologies available for implementation of these technologies	<ul style="list-style-type: none"> <li>• Ensure that project planning identifies all resource requirements</li> <li>• Ensure implementation schedule distributes resource requirements effectively and does not overburden specific resources</li> </ul>
<b>Technical Obsolescence</b>	1. New applicable technologies available	<ul style="list-style-type: none"> <li>• Continued monitoring of new technology announcements</li> <li>• Periodic review of system choice</li> <li>• Pre-planned technology updates</li> </ul>
<b>Architecture Dependencies</b>	1. Assumption of mutual updates between the data repository and agency payroll and/or personnel systems is key to the success of the project	<ul style="list-style-type: none"> <li>• Leverage the HRTC's Federal Human Resources Data Network project in progress</li> <li>• Provide flexibility in data exchange between agency payroll and/or personnel systems and the data repository</li> <li>• Work with agencies to develop an alternative to providing data to the data repository as necessary</li> </ul>

	Critical Risks	Risk Mitigation Strategies
Process/Organization Alignment	1. Organizational Resistance	<ul style="list-style-type: none"> <li>• Continue to engage all stakeholders in project analysis; establish full, open communication</li> <li>• Continue to develop and execute change management strategy</li> <li>• Continue to establish appropriate expectations for change</li> </ul>
	2. Employees' ability and willingness to use new technologies	<ul style="list-style-type: none"> <li>• Provide employees a period of intensive hands-on training with the new technologies</li> <li>• Train "technology experts" in relevant departments to answer questions and provide on-going training to staff</li> <li>• Provide on-line and off-line reference materials</li> </ul>

**E. Adherence to architecture and infrastructure standards**

The Modernization project is contractually required to comply with the OPM Information Technology Architecture. The OPM IT standards for internal and external communications were outlined in the FY 1999 Capital Asset Plan. These have not changed.

The Modernization effort has been designed to adhere to existing architecture and infrastructure standards and complies with the Clinger-Cohen Act, Raines Rules, and the Federal Technical Reference Model promulgated by the Chief Information Officers (CIO) Council.

The OPM technical architecture "to-be" development for the Modernization effort will provide for an open system that will support a multi-vendor environment allowing for compatibility, interoperability, and interchangeability. This architecture is entirely consistent with the current OPM architecture, published standards and guidance for achieving interoperability within the OPM community, and methods of working with its business partners and stakeholders. In areas that have not yet been defined, the project team will work under the guidance of OPM's Chief Information Officer to define or modify the OPM architecture as necessary.

### Part III: COST, SCHEDULE, AND PERFORMANCE GOALS

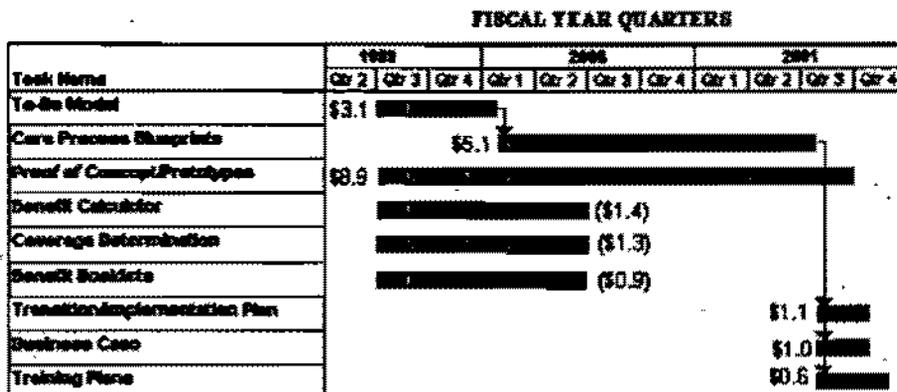
#### A. Description of Performance-based System

The approach for the reengineering planning phase of Modernization is based on firm, fixed price contracts and the cost and schedule reports required from contractors are described in the FY 1999 plan. We will continue to require the key elements described - documentation of progress via the work breakdown structure with key elements of budgeted cost for work scheduled, budgeted cost for work performed, and actual cost of work performed.

The approach for the technology acquisition will use a software development methodology based on the Software Engineering Institute Capability Maturity Model (SEI CMM). The software requires documented processes, continued quality review of those processes, strong project management control, and established processes involving senior management in ongoing reviews to monitor the progress toward achieving the projected mission benefits and to resolve issues early in the project. The software is premised on the earned value management technique as part of regular status reporting to relate resource planning to schedules and to technical, cost, and schedule requirements. A third element will focus on execution of the performance measurement program addressed above, including collecting, automating, and processing the data on expected versus actual project outcomes.

#### B. Original Baseline Goals:

##### 1. Original cost and schedule goals:



Note: Benefit Calculator, Benefits Booklet, and Coverage Determination Tool are included in the total for Proof of Concept/Prototypes.

Note: We inadvertently reversed the costs for Benefit Booklets and the Coverage Determination in the FY 1999 Capital Asset Plan.

**Cost by Fiscal Year**

	1999	2000	2001
Total Budgeted Cost for Work (in millions)	39	37	512

2. Original performance goals:

The following tasks must be performed before business process reengineering will be considered complete. For each task, we also established requirements in our contracts that must be met before we accept and pay for a task. The performance goals for the remaining planning tasks, as outlined in the statements of work, include the following:

*To-Be Model*

The to-be model will be complete when:

- ❑ Work with OPM has taken place to assess skills, tools, and experience available for the Modernization effort; to select a representative team to conduct the reengineering of the core processes; to define and document the relationship between the reengineering team and top level decision makers (authorities and responsibilities in determining new process designs); and to identify process owners.
- ❑ Training that addresses the principles and techniques of reengineering processes and of change management has been prepared and delivered to the team.
- ❑ Alternative designs for processes are formulated and considered.
- ❑ The impact of potential barriers to implementing the alternative processes is assessed and documented.
- ❑ Candidate process designs are selected for detailed process design.
- ❑ The risk mitigation strategy is refined, expanded, and updated.
- ❑ Information technology capabilities that will help achieve process reengineering goals and are consistent with the agency information technology architecture have been identified and documented.
- ❑ Technical to-be model requirements are reviewed, approved, baselined and documented in the requirements traceability matrix.
- ❑ A technical to-be model design review is held that consists of presentation and overview of requirements, discussion of the design alternatives, review and approval of the basic alternative selected, presentation of the preliminary design specification, completion and scoring of review checklists, presentation of the design test plan, and preparation of review findings and reports.
- ❑ The to-be technical model has met approved requirements and the design is accepted.
- ❑ The information technology model is consistent with the agency information technology architecture.
- ❑ The to-be model conforms to the Concept of Operation.
- ❑ The technical model components are labeled, baselined, and changes are controlled according to the approved configuration management plan.

- Processes are prioritized for reengineering using formal selection criteria such as processes with the highest impact on customers; processes that conflict most with the business vision; processes that urgently require reengineering; processes that would provide substantial return on investment; or processes that can be changed easily and will provide experience for the more difficult to change processes.
- The intermediate steps that will be taken to get to full implementation (e.g., prototypes, selected changes) are determined and documented. Some of this work has already been done in selecting the prototypes.

### *Blueprints*

The process blueprints will be complete when:

- Measurable goals for the reengineered processes are established.
- There is a relationship of goals to mission, customer and stakeholder expectations; and the benefits, costs, and risks of implementing approved reengineered processes and this relationship is documented.
- Detailed information technology capabilities that will help achieve process reengineering goals and are consistent with the agency information technology architecture are identified and documented.
- We have created and documented the new workflow and interfaces; the new information flow; impact on the agency's information and system architectures; changes to organizational structure; impact on management systems; changes to job descriptions and skill requirements; changes to compensation and reward systems; changes to policy, regulations, or law; constraints and assumptions that affect the cost and benefits of the solutions; quantitative and qualitative benefits of the new process; performance indicators for the reengineered process; how information technology could be used to support the reengineered process; and how the reengineered process meets performance and legal requirements.
- Technical blueprint model requirements have been reviewed, approved, baselined and documented in the requirements traceability matrix.
- A technical blueprint model design review is held that consists of presentation and overview of functional specifications, discussion of the design alternatives, review and approval of the basic alternative selected, presentation of the preliminary design specification, completion and scoring of review checklists, presentation of the design test plan, and preparation of review findings and reports.
- The technical model meets approved requirements.
- The technical model components are labeled and changes controlled according to the approved configuration management plan.
- Reengineered processes satisfy the legal requirements documented in the Concept of Operation.
- Information on options for implementation that need to be considered are identified and documented.
- Concerns about reengineering have been heard and are addressed and the reengineering commitment communicated to stakeholders.
- Identification, planning, and action have been undertaken to deal with entrenched interests and reengineering barriers; and to realign organizational values, incentives, and reward systems to focus on desired outcomes.
- The risk mitigation strategy is refined, expanded, and updated.

### *Business Case*

The business case will be complete when:

- The business case is refined, expanded, and updated to reflect the new process designs.
- The capital investment review process has been used to review the completed business case and decide on whether reengineered processes should be funded and implemented.
- A performance-based and risk-adjusted cost-benefit analysis of each alternative process is done.

### *Proof of Concept/Prototypes*

The proof of concept/prototypes will be complete when:

- Process designs have been tested against their success criteria through simulations or limited pilots and modified or corrected until they meet the established performance requirements.
- Prototype requirements are reviewed, approved, baselined and documented in the requirements traceability matrix.
- Prototype design review is held that consists of presentation and overview of functional specifications, discussion of the design alternatives, review and approval of the basic alternative selected, presentation of the preliminary design specification, completion and scoring of review checklists; presentation of the design test plan, and preparation of review findings and reports.
- Prototype testing is performed at every development stage (technical reviews are the only testing technique available early in the development process, such as the requirements stage).
- Prototypes meet approved requirements.
- Prototype development is documented (e.g., data flow diagrams, entity relationship models)
- User manuals are created for prototypes.
- Operation/systems manuals are created for prototypes.
- Prototypes are labeled and changes controlled according to the approved configuration management plan.

### *Transition/Implementation Plan*

The transition/implementation plan will be complete when:

- A plan to implement the approved designs, including the identification of risks and barriers and ways to overcome them has been created.
- The plan addresses documentation and application of lessons learned.
- Responsibility for implementing the changes has been assigned.
- A transition team has been established.
- Training and workforce redeployment issues are managed.
- The barriers and risks to implementing the reengineered processes have been identified, categorized, and ranked based on their potential impact.
- The risk mitigation strategy is refined, updated, and expanded.

### *Training Plan*

The training plan will be complete when:

- A workforce training plan has been created to address training to prepare employees for their new roles in reengineered processes.

### **C. Current Baseline**

#### **1. Current cost and schedule goals:**

Same as original baseline.

#### **2. Current performance goals:**

Same as original baseline.

### **D. Variance from current baseline**

#### **1. Variance in cost:**

The baseline goal was \$3.9 million for development of the "to-be" model and the early win prototypes during FY 1999. There was no variance in cost for the "to-be" model in FY 1999 (\$2.8 million), but there was a variance in cost for the early win prototypes (planned \$1.1 million, actual \$.8 million). The cost variance from this baseline was 5%. The variance resulted from a change in our assumption that the Coverage Determination Application prototype would be leveraged from an existing tool owned by the U.S. Postal Service. It did not cause a cost overrun but instead a delay in spending as we reevaluated how and whether we would proceed with this prototype. There was no cost variance in the remaining two prototypes, the Benefits Calculator and the Benefits Booklet. A revised estimate of cost and schedule in Section E. of this plan includes the revisions for the Coverage Determination Application prototype, based on the new assumptions.

#### **2. Variance in schedule:**

The baseline schedule goal was also met with no variance for the "to-be" model and the two of the three early win prototypes. There was a -8% variance in the schedule for the Coverage Determination Application prototype during FY 1999, again resulting from delay caused by the change in our assumption of leveraging the existing U.S. Postal Service tool. A revised estimate of cost and schedule in Section E. of this plan includes the revisions for the Coverage Determination Application prototype, based on the new assumptions.

#### **3. Variance in performance:**

None to date.

### *Performance Measures for Prototypes*

Cost, benefit and performance measures were developed for the three prototypes below in the spring of 1999 as a part of the business case to justify their development.

#### *FERS/CSRS Calculator Prototype*

The programming and initial testing of the calculator were completed late this spring. In the middle of summer, parallel testing began against the manual and semi-automated processing. At the same time, the training of employees to use the calculator to perform limited operational testing began. At this stage in prototyping, the calculator will calculate over 80% of FERS and Central Intelligence Agency retirement claims. Algorithms in the calculator can be translated to other technology, thus we will be able to leverage the investment in later stages, as we acquire the technology to support the Modernization effort. It is too early to report results, but the testing of the prototype indicates that the 25% reduction in processing time for FERS cases identified as a measure in the FY 1999 plan will be achievable.

#### *Benefits Booklet Prototype*

The booklet, which replaces the annuity statement currently sent to new annuitants, has been completed and was implemented late in August. The booklets include information that is needed by new retirees, as indicated by the focus groups conducted as a part of the booklet's design and development. Although it is too early to assess results, we believe that at least 85% of customers surveyed will feel the booklet is clear, easy to understand, and includes useful information.

#### *Standardized Coverage Determination Application Prototype*

The offer to share the government software planned to leverage to create the coverage prototype was withdrawn due to a last minute ownership dispute between the agency and the developer. Agencies are still eager to have the calculator, and after careful reevaluation, we have determined that the prototyping will move forward with changed assumptions. The plan for this development will now include evaluation and analyses of the options available, including an analysis of benefit and cost. Because an expanded version of this application, the Coverage Determination and Eligibility Application is part of Module 1, it is important to develop this prototype so that it can be built upon during Module 1.

#### **E. Latest revised estimate:**

The goals outlined in the FY 1999 plan included goals for reengineering planning activities through FY 2001. These estimates have been updated to reflect the results of an updated business case based on the development of the "to-be" model and input from the technology contractor who was not yet on board to contribute to the original plan. It also includes changes in our prototype plans as indicated above. We expect information from the blueprinting process that will occur next FY may further refine the estimates for FY 2002 and beyond.

1. Cost goals

The following cost goals will become our current baseline. Unlike the Summary of Spending in Part I that includes all categories of spending by the year of obligation, these cost goals exclude Category A, maintenance costs and Independent Verification and Validation and represent the amount to be spent each year on planning and acquisition.

4.4	19.4	47.0	18.2	14.6	13.3	5.6
-----	------	------	------	------	------	-----

(In Millions)

2. Schedule goals:

Schedule changes were made as a result of our validation with the technology contractor and new information from the updated business case. They do not lengthen the overall schedule for Modernization but represent an adjustment and reprioritization of segments within the overall schedule.

**Reengineering Planning Segments** Business process reengineering planning will be complete at the end of FY 2001. This will include the process blueprints, technology blueprint, organizational blueprint, transition plan, training plan, and update of the business case. We plan to develop additional prototypes during this period.

**FY 2000 Segments:**

- Membership Administration Process Blueprint
- Claim to Payment Initiation and Annuity Roll Maintenance Process Blueprint
- Benefits Counseling Process Blueprint
- Information Technology Requirements Extracted from Above Process Blueprints
- Information Technology Architecture Based on Above Blueprints
- Coverage Determination Application Prototype
- Updated Business Case

**FY 2001 Segments:**

- Employee Withholdings, Etc. and Trust Fund Management Process Blueprint
- Organizational Blueprints for All Core Processes
- Informational Technology Requirements Extracted from Above Process Blueprint
- Information Technology Architecture Based on All Blueprints
- Transition Plan
- Training Plan
- Updated Business Case

**Planning/Acquisition Segments** Planning for acquisition and acquisition will begin in FY 2001 and continue through FY 2006. Acquisition will be accomplished in four modules, Solutions and Infrastructure Design, Legacy System Modernization, Phase I &

II, Program-wide Solutions and Continued Federal Agency Rollout and Interactive Customer Solutions. The following activities will be accomplished in FY 2001.

**FY 2001**

- Selection and acquisition of database management system
- Data Modeling and database design activities
- Proof of Concept—limited initial population of integrated data repository
- Planning and acquisition of production quality releases of coverage determination and benefits calculator tools

**FY 2002-2006**

- Continued expansion of Module 1
- Planning and acquisition for remaining modules

2. Performance goals

*Business Case* (goals are modified from FY 1999)

The business case is an ongoing activity:

- The business case is refined, expanded, and updated to reflect major project milestones: completion of 'to-be' model, completion of blueprints, completion of useful segments, and on a periodic basis during maintenance.  
**The business case has been updated to reflect the 'to-be' model and in support of our budget request for FY 2001 in this Capital Asset Plan.**
- The capital investment review process is used to review the updated business case to decide whether reengineered processes (blueprints) and useful segments should be funded and implemented, and to perform ongoing assessment of automated systems during maintenance.
- A performance-based and risk-adjusted benefit-cost analysis of alternative processes considered during blueprints is included in the business case.

**Transition Planning** (goals are modified from FY 1999; name change)

The transition planning for each module will be complete when:

- Planning for all activities needed to implement a module, ensure acceptance of the changes by affected individuals, and launch the transition has been performed.
- Responsibility for implementing the changes has been assigned.
- Identification of risks and barriers and ways to overcome them has been performed.
- The barriers and risks to implementing the reengineered processes have been identified, categorized, and ranked based on their potential impact.
- The risk mitigation strategy is refined, updated, and expanded.
- Data conversion, training, initial deployment (pilot), initial rollout, revised transition schedule, and resource estimates are planned in detail.
- An organizational readiness assessment is completed to gauge the organization's acceptance of planned changes.

- Planning that defines the process and technology training activities of the program that are required for the particular modules being implemented has been performed.
- Customer and performance target confirmation, an important step in managing the expectations of internal and external stakeholders, is performed.
- An initial deployment assessment to evaluate the progress of the transition focusing on performance to determine if changes are needed prior to full rollout to the organization is performed.
- Planning and deploying the “people” components of the new organization that are combined and aligned with the process and technology components, including performance and rewards, strategic direction and leadership, culture and values, relationships and learning that are not addressed by other components of the transition is performed.
- Planning for communications about the transition to all of those affected by it, including the future vision, transition preparation details, progress of the development and transition teams and performance improvements the organization is experiencing during and upon full deployment is performed
- The planning is documented.
- Plans are updated and adjusted for feedback from the organization and other information.
- The implementation for each module will be complete when the documented plans are executed.
- For each implementation module, procedures detailing required tasks, an overview of process objectives and outcomes, and a description of relevant in-force policies are produced.

*Training Plan* (goals have been combined with Transition Planning and Implementation)

*Modules* (new performance goals)

The following performance goals are for the work performed by the technology contractor and are from the statement of work. The technical component of all modules will be complete when:

- Technical requirements for the module have been developed, allocated to software, hardware, firmware, or other technical item.
- The technical requirements are controlled, documented, and conform to contractual standards.
- The requirements are maintained in a requirements traceability matrix that meets contractual standards.
- The technical requirements have been reviewed, approved by affected groups, and baselined.
- A preliminary design review has been held that shows the design meets all the allocated requirements and that the design is good.
- A critical design review has been held that results in a decision document endorsing the design alternative selected.
- The approved design and test plan are baselined.
- Test plans have been created relative to the stage of development (i.e., acceptance testing is planned during requirements stage, system and integration testing planned during design stage, unit testing planned during coding stage).

- Testing has been performed at every development stage (this includes reviews during requirements and design stage, which are the only testing available early in development).
- Testing confirms the system is ready for operational use.
- Testing of changes or enhancements to any existing software has been performed following the same cycle as for new software.
- The OPM established migration procedures and year 2000 compliance testing has been performed and passed for any enhancements or new technology.
- Development documentation is completed.
- End-user documentation is completed.
- Operations documentation is completed.
- Training for system maintainers has been provided.
- Training for end-users has been provided.
- Training for system operators has been provided.

#### **F. Corrective actions:**

As stated in the section on risks, planning costs were estimated in the FY 1999 plan, before the technology contract was awarded. Based on input from the technology contractor and an updated business case based on the completed "to-be" model, the cost, schedule and performance goals in the FY 1999 plan have been updated. The goals differ from the 1999 plan insofar as they now cover FY 2001 and the out years and include some readjustment of priorities within the schedule.

The FY 1999 plan showed continued work with additional phases of the prototypes through spring of FY 2000. This plan has been revised. Work will continue on the Coverage Determination Application as described in previous sections of this plan, based on changes in the original assumptions. The Benefits Booklet and the Benefits Calculator will be enhanced under Modernization as a part of Module 1 of the Acquisition Phase. These decisions will have no effect on cost, schedule or performance goals of the Modernization effort.

#### **Summary**

Retirement Systems Modernization is a strategic initiative to rethink, reevaluate, and reengineer the various processes that support and provide services to Civil Service Retirement System and Federal Employees Retirement System participants and to acquire the necessary technology to support the reengineered processes. The purpose of the "planning phase" of the project is to streamline the processes and organization, and to identify the technology that will be procured during the acquisition phase to support the new program. During the "planning phase," proof of concepts and prototypes will be launched that will provide immediate benefits to the program and will also move us toward our vision of the future retirement program.

This plan also includes the initial evaluation of the technology that will be acquired to support the redesigned process and organization. It is based on the results of the "to-be" model. Cost and schedule estimates for the out years FY 2002 and beyond will be revised, if necessary, based on additional details resulting from the completion of the reengineering planning phase.