U.S. OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDITS

Final Audit Report

AUDIT OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S AUDIT RESOLUTION PROCESS

Report Number 2023-IAG-021
November 26, 2024

EXECUTIVE SUMMARY

Audit of the U.S. Office of Personnel Management's Audit Resolution Process

Why Did We Conduct the Audit?

The objectives of our audit were to determine if (1) the U.S. Office of Personnel Management (OPM) is following applicable laws, regulations, and internal policies and procedures to resolve open recommendations; (2) OPM is monitoring to ensure that resolution (an agreement on the corrective action(s) to be taken) occurs within a maximum of six months from the issuance of the final report and that the implementation of resolved recommendations is timely; (3) monetary recoveries that should be returned to OPM, in comparison to the amount of questioned costs from the Office of the Inspector General's (OIG) reports, are appropriate and received; and (4) segregation of duties exists within OPM's audit resolution process between parties responsible for administering OPM's program and those responsible for resolving findings and recommendations identified in the OIG's reports.

What Did We Audit?

The OIG completed a performance audit of OPM's audit resolution process. Our audit fieldwork was conducted from July 20 through December 7, 2023, at OPM's headquarters, located in Washington, D.C.

_____

Michael R. Esser
Assistant Inspector General for Audits

What Did We Find?

We determined that:

1. OPM lacks an enterprise-wide structure for its audit resolution process. OPM uses two different program offices, Audit Resolution and Compliance (ARC) and Internal Oversight and Compliance (IOC), to conduct audit resolution activities with varying processes and no uniform system to manage resolution activities.

2. The IOC and ARC offices are not consistently following applicable laws, regulations, and internal policies and procedures, and ensuring that resolution documentation was maintained and/or readily available. For example, IOC failed to provide sufficient documentation to support that they followed their Audit Follow-up Standard Operating Procedure for 32 out of 47 final reports that we sampled.

3. We could not verify that OPM's audit follow-up official is ensuring that audit follow-up, resolution, and corrective actions are documented and in place.

4. Memoranda of Understanding are outdated and not aligned with current audit resolution processes.

5. IOC and ARC did not resolve recommendations within 6 months after the issuance of the final report or complete final action on each management decision required with regard to recommendations within 12 months after the date of the final report, as required by the U.S. Office of Management and Budget *Circular No. A-50 Revised* and the Inspector General Act of 1978, as amended, for the following:

	Recommendations Not Resolved within 6 months	Final Action Not Completed on Recommendations within 12 months
IOC	9 out of 9 samples	9 out of 9 samples
ARC	65 out of 201 samples	47 out of 201 samples

6. The IOC and ARC offices are not ensuring that monetary recoveries are properly tracked and returned to OPM's programs.

7. The lack of communication between IOC and ARC offices has led to segregation of duties issues in the audit resolution process.

8. ARC did not ensure that OPM's audit follow-up official was responsible for resolving recommendations for two health carrier audits.

ABBREVIATIONS

ARC	**Audit Resolution and Compliance**
FEHBP	**Federal Employees Health Benefits Program**
FEIO	**Federal Employee Insurance Operations**
GAO	**U.S. Government Accountability Office**
IOC	**Internal Oversight and Compliance**
MOU	**Memorandum of Understanding**
OCFO	**Office of the Chief Financial Officer**
OIG	**Office of the Inspector General**
OMB	**U.S. Office of Management and Budget**
OPM	**U.S. Office of Personnel Management**

TABLE OF CONTENTS

     REPORT FRAUD, WASTE, AND MISMANAGEMENT

I.   BACKGROUND

This final audit report details the findings, conclusions, and recommendations resulting from our performance audit of the U.S. Office of Personnel Management's (OPM) Audit Resolution Process. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the *Inspector General Act of 1978*, as amended.

The U.S. Office of Management and Budget (OMB) *Circular No. A-50 Revised*[1] requires that federal agencies establish systems to assure prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-federal auditors, six months after receipt of the report by the federal government. Corrective action should proceed as rapidly as possible. The primary objectives of OMB *Circular No. A-50 Revised* are to:

- Specify the role of the designated audit follow-up officials and the role of Inspectors General with regard to audit follow-up;

- Strengthen the procedures for resolution of audit findings and corrective action on recommendations contained in audit reports issued by Inspectors General, other audit organizations, and the U.S. Government Accountability Office (GAO);

- Emphasize the importance of monitoring the implementation of resolved audit recommendations in order to ensure that promised corrective action is actually taken; and

- Improve accounting and collection controls over amounts due to the government as a result of claims arising from audits.

In accordance with OMB *Circular No. A-50 Revised*, responsibilities are assigned to various levels of management to ensure that the objectives of OMB *Circular No. A-50 Revised* are accomplished. Agency heads are responsible for designating a top management official to oversee audit follow-up, including resolution and corrective actions, and for ensuring that management officials throughout the agency understand the values of the audit process and are responsive to audit recommendations.

Agency management officials are responsible for receiving and analyzing audit reports, providing timely responses to the audit organization, and taking corrective actions where appropriate. Where management officials disagree with an audit recommendation, the matter shall be resolved by a higher-level management official or by the audit follow-up official. The audit follow-up official has personal responsibility for ensuring that systems of audit follow-up, resolution, and corrective action are documented and in place; timely responses are made to all audit reports; disagreements are resolved; corrective actions are actually taken; and OIG semiannual reports are sent to the head of the agency.

---

[1] OMB *Circular No. A-50 Revised* was the criteria in place during our audit and has now been rescinded and replaced with the revised OMB Circular A-50, M-25-01, dated November 7, 2024.

OMB *Circular No. A-50 Revised* also requires that agencies assign a high priority to the resolution of audit recommendations and to corrective action.

The Inspectors General are also responsible for reviewing an entity's responses and planned corrective actions and monitoring the follow-up system. Specifically, the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*, dated December 2020, states, "The inspection organization should review the inspected entity's responses to each recommendation. The inspected entity's planned corrective actions should satisfy the intent of the recommendation. The inspection organization should communicate its agreement or disagreement of the planned corrective actions with the inspected entity."

In addition, Inspectors General are also responsible for monitoring the follow-up system in accordance with the *Inspector General Act of 1978*, as amended. Inspectors General have a specific responsibility to inform the Congress, through their semiannual reports to Congress, of any significant management decision with which the Inspector General is in disagreement. The *Inspector General Act of 1978*, as amended, states, "The head of a Federal agency shall complete final action on each management decision required with regard to a recommendation in an inspector general's report under subsection (a)(1) within 12 months after the date of the inspector general's report. If the head of the agency fails to complete final action with regard to a management decision within the 12-month period, the inspector general concerned shall identify the matter in each of the inspector general's semiannual reports pursuant to section 405(b)(3) of title 5, United States Code, until final action on the management decision is completed."

OPM's audit resolution process[2] is not centralized. The resolution process is handled by the following program offices:

Internal Oversight and Compliance (IOC): IOC coordinates activities to resolve recommendations addressed to OPM and/or program offices within OPM. These recommendations are issued by the OIG's Office of Audits and Office of Evaluations as well as other federal agencies, including the GAO and National Archives and Records Administration. OPM's designated audit follow-up official is the IOC Director. During the time of our audit, the IOC Director position had been vacant since January 31, 2022, and the Associate Director of Merit System Accountability and Compliance has been serving as the acting IOC Director.

Audit Resolution and Compliance (ARC): ARC is a group under the Federal Employee Insurance Operations (FEIO), which is a part of the Healthcare and Insurance Office. FEIO negotiates and administers health benefits contracts for the federal government and the Healthcare and Insurance office issues guidance to health carriers within the Federal Employees Health Benefits Program (FEHBP). ARC is responsible for working with the FEIO's Contracting Officers to resolve the OIG's recommendations issued to FEHBP carriers and other

---

[2] The "audit" resolution process covers the resolution of all recommendations, whether the recommendation is from an audit, evaluation, review, etc., that are formally issued to OPM for correction.

contractors providing benefits to federal employees, such as the Federal Employees' Group Life Insurance, Federal Employees Dental and Vision Insurance, Federal Flexible Spending Account, and Federal Long Term Care Insurance Programs.

PREVIOUS OFFICE OF THE INSPECTOR GENERAL REPORTS

There were no prior audits completed by our office of OPM's audit resolution process. However, the OIG completed an audit of OPM's *Administration of Federal Employee Insurance Programs* and issued Report Number 4A-HI-00-19-007 on October 30, 2020. The report contained 24 recommendations, including 2 recommendations related to ARC's audit resolution process. Both recommendations from the audit have been closed. However, one recommendation, which focused on OPM providing ARC with a new audit resolution system to track, record, and report resolution activity, is repeated in this report.

OBJECTIVES

The objectives of our audit were to determine if:

- OPM is following applicable laws, regulations, and internal policies and procedures to resolve open recommendations.

- OPM is monitoring to ensure that resolution (an agreement on the corrective action(s) to be taken) occurs within a maximum of six months from the issuance of the final report and that the implementation of resolved recommendations is timely.

- Monetary recoveries that should be returned to OPM, in comparison to the amount of questioned costs from the OIG's reports, are appropriate and received.

- Segregation of duties exist within OPM's audit resolution process between parties responsible for administering OPM's programs and those responsible for resolving findings and recommendations identified in the OIG's reports.

The recommendations included in this final report address the objectives.

SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards as established by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We performed our audit fieldwork from July 20 through December 7, 2023, at OPM's headquarters, located in Washington, D.C. For ARC, the scope of our audit covered all final reports issued between January 1, 2019, and April 30, 2023, including associated recommendations contained within those reports. For IOC, the scope of our audit covered all final reports issued between September 23, 2008, and May 22, 2023, including associated recommendations contained within those reports.

To accomplish the audit objectives noted above, we:

- Interviewed ARC, IOC, and the Office of the Chief Financial Officer (OCFO) personnel.

- Reviewed IOC and ARC's policies and procedures for resolving final report recommendations.

- Reviewed final reports to determine whether OPM had sufficient controls in place to ensure that questioned costs were returned in a timely manner.

- Reviewed information in IOC's Audit Follow-up Tracking System for open and closed final reports to determine if IOC followed their standard operating procedures for resolving recommendations.

- Reviewed final reports issued by the GAO to determine if IOC is updating the status of recommendations.

- Sampled and tested recommendations to determine if the recommendations were resolved in accordance with laws, regulations, internal policies and procedures, and timeliness standards.

- Reviewed supporting documents to determine if the segregation of duties is appropriate between parties responsible for administering OPM's programs and those responsible for the resolution of recommendations identified in the OIG's reports.

In planning our work and gaining an understanding of the internal controls over OPM's audit resolution process, we considered, but did not rely on, IOC and ARC's internal control structure to the extent necessary to develop our audit procedures. These procedures were substantive and analytical in nature. We gained an understanding of management procedures and controls to the extent necessary to achieve our audit objectives. The purpose of our audit was not to provide an opinion on internal controls, but merely to evaluate controls over the audit resolution process.

Our audit included such tests and analysis of IOC's and ARC's policies, procedures, internal controls, and other procedures as we considered necessary under the circumstances.

In conducting our audit, we relied to varying degrees on computer-generated data. To assess the reliability of computer-processed data, we verified the accuracy, completeness, and relevance of the data by reviewing the IOC Data Dictionary[3] and tracing source data to the computer-generated data in IOC's Audit Follow-up Tracking System. While utilizing the computer-generated data during our audit, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives. We did not evaluate the effectiveness of the general and application controls over computer-processed performance data.

---

[3] A Data Dictionary is a collection of names, definitions, and attributes about data elements that are being used or captured in a database, information system, or part of a research project. It describes the meanings and purposes of data elements within the context of a project, and provides guidance on interpretation, accepted meanings, and representation.

We selected the following samples from our audit universes:

Audit Area	Program Office Data	Audit Universe	Total Sample Size	Sample Selection Methodology
Guidance and Internal Policies	IOC Final Reports – Closed Recommendations	105	25	Using Microsoft Excel, we judgmentally selected a total of 25 final reports issued between September 23, 2008, and May 22, 2023, that contained at least one closed recommendation.
Guidance and Internal Policies	IOC Final Reports – Open Recommendations	124	22	Using Microsoft Excel, we judgmentally selected a total of 22 final reports issued between September 23, 2008, and May 22, 2023, that contained at least one open recommendation.
Resolution Timeliness	IOC Final Report Recommendations	47[4]	9	Using Microsoft Excel, we judgmentally selected a total of 9 recommendations from reports issued between September 23, 2008, and May 22, 2023.
Guidance and Internal Policies	ARC Final Reports	141	29	Using Microsoft Excel, we judgmentally selected a total of 29 final reports issued between January 1, 2019, and April 30, 2023.
Resolution Timeliness	ARC Final Report Recommendations	201	201	Using Microsoft Excel, we judgmentally selected 25 out of the 29 ARC Final Reports. The 25 Final Reports selected included a total universe of 201 recommendations.

The samples selected during our review were not statistically based. Consequently, the results from our samples were not projected to the universes.

---

[4] This is the total of the 25 IOC Final Reports – Closed Recommendations plus 22 IOC Final Reports – Open Recommendations.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. Enterprise-Wide Audit Resolution Structure

Based on our review of OPM's audit resolution process, we determined that the lack of an enterprise-wide audit resolution structure and using two separate program offices with different resolution processes may contribute to OPM inconsistently following guidance and internal policies and procedures. For example, OPM is not resolving recommendations within a maximum of six months; OPM is not ensuring that monetary recoveries are properly tracked and returned; and communication deficiencies exist in the audit resolution process resulting in delays in resolving and closing open recommendations, as discussed further in the Audit Findings and Recommendations section of this report. An enterprise-wide audit resolution structure would benefit OPM, consolidating resources and streamlining current resolution processes to ensure that the 326 unresolved and 28 resolved recommendations open more than six months and pending corrective action, as reported in the OIG's April 1, 2023, through September 30, 2023, *Semiannual Report to Congress*, and any future recommendations, are resolved and closed timely.

> **We recommend OPM consider an enterprise-wide audit resolution structure.**

Both IOC and ARC offices have expressed concerns that limited resources and the lack of an OPM-wide audit tracking system were reasons for some of the issues we identified in this report. ARC stated that "an OPM-wide tracking system is needed to document, track, monitor, report, share and perform basic analyses on audits, resolution trends, and compliance activities. Without this system, ARC spends … [additional] time on tasks that could be accomplished via a system. … [such as] manually entering information into an Excel spreadsheet and reviewing the spreadsheet for accuracy, pulling data on monetary recommendations for the CFO [Chief Financial Officer] and OIG on a monthly basis, reconciling ARC's spreadsheet with the OIG's spreadsheet, pulling information to verify the OIG's SAR [Semiannual Report to Congress] Appendices and to input data for several tables in OPM's Response to the SAR, etc. In addition, tracking previous findings is labor intensive without a system as it requires going through audits manually to identify similar findings and resolution strategies used."

GAO's *Standards for Internal Control in the Federal Government* states, "Management designs the entity's information system and the use of information technology by considering the defined information requirements for each of the entity's operational processes."

As stated in the Background section of this report, OMB *Circular No. A-50 Revised* discusses the maximum timeframe within which resolution shall be made and when corrective action should proceed.

The *Inspector General Act of 1978*, as amended, Section 405. Reports, Prompt Management Decisions and Implementation of Audit Recommendations, states, "The head of a Federal agency shall complete final action on each management decision required with regard to a recommendation in an inspector general's report under subsection (a)(1) within 12 months after

the date of the inspector general's report. If the head of the agency fails to complete final action with regard to a management decision within the 12-month period, the inspector general concerned shall identify the matter in each of the inspector general's semiannual reports pursuant to section 405(b)(3) of title 5, United States Code, until final action on the management decision is completed."

Recommendation 1

We recommend that OPM centralize its audit resolution process into one program structure, instead of the current audit resolution structure that delegates responsibilities to multiple programs within OPM.

OPM's Response:

Management does not concur with this recommendation. "Although OPM does not have specific plans to merge audit resolution functions (and therefore has not concurred with the recommendation), OPM will take OIG's findings and recommendation into account as it continues considering how to optimize OPM's efficiency and effectiveness.

In the near-term, OPM will take steps to strengthen the connections and alignment between its audit resolution functions, including mapping out the audit resolution processes in ARC and IOC to explore opportunities for streamlining the process and improving communication and coordination."

OIG Comment:

We appreciate OPM's willingness to explore opportunities for streamlining the audit resolution process. We would like to reemphasize our concerns regarding the current structure of using two separate program offices with different resolution processes and urge OPM to reconsider our recommendation in the near future. We believe that an enterprise-wide audit resolution structure, which consolidates resources and streamlines the resolution process, would benefit OPM and help to ensure that recommendations are resolved and closed in a timely manner, as per OMB *Circular No. A-50 Revised*.

Recommendation 2

We recommend that OPM implement a plan to develop an agency-wide audit tracking system with all of the functionality needed to facilitate resolution workflows and which acts as a repository for all resolution and closure documentation.

OPM's Response:

Management concurs with this recommendation. "OPM agrees with the need for an agency-wide audit management system, and OPM is working to develop this system."

OIG Comment:

As OPM contemplates implementation of Recommendations 1 and 2, the findings and recommendations hereafter in this report are based on the resolution structure that was present during our audit – decentralized between IOC and ARC. If OPM moves forward with implementing Recommendation 1, the forthcoming recommendations directed to IOC and/or ARC should be directed toward the program office that will assume audit resolution responsibilities for OPM.

B. Guidance and Internal Policies

1. Internal Oversight and Compliance Procedures Not Followed

We judgmentally selected 47 out of 229 final reports issued between September 23, 2008, and May 22, 2023, to determine if IOC followed appropriate guidance and procedures.

Specifically, we reviewed IOC's *Audit Follow-Up Standard Operating Procedure*, which is a step-by-step guide that covers audit follow-up procedures to resolve recommendations, including "tracking, monitoring, evidence review, and closure of audit recommendations," and references OMB *Circular No. A-50 Revised*.

We determined that IOC failed to provide us with sufficient documentation to support that they followed their *Audit Follow-up Standard Operating Procedure* for 32 out of 47 final reports, as detailed below.

Audit Follow-up Standard Operating Procedure	Number of Reports With No Support
IOC sent the program office the *OIG Final Report Response Template.*	11
IOC scheduled a meeting with the program office to provide guidance on how to provide responses to the audit agency.	9
The IOC Audit Liaison followed up with the program office on an ongoing and periodic basis to ensure progress was being made on open recommendations.	32
The IOC Audit Liaison reviewed the corrective action documentation to determine if it addressed the recommendation.	3

Report No. 2023-IAG-021

Audit Follow-up Standard Operating Procedure	Number of Reports With No Support
The audit follow-up official confirmed with the reviewing audit agency auditor that the recommendation could be closed and, if so, obtained support.	8
The IOC Audit Liaison documented, in the Audit Follow-up Tracking System, the audit agency's concurrence that the recommendation could be closed to the audit follow-up official.	6
The IOC Audit Liaison documented when the audit follow-up official agreed with the audit agency's concurrence with the closure of the recommendation(s) in the Audit Follow-up Tracking System.	4
The IOC Audit Liaison notified program office representatives of the most recently closed recommendations and the date of the closure for their records by email.	4

The results for each exception are independent of each other. Details of our results were provided to IOC separate from this report.

IOC indicated that they did not provide all of the documentation requested because the IOC Audit Liaison no longer works for OPM and the information was not available. IOC stated that "IOC's NARA [National Archives and Records Administration] approved records retention schedule, dated June 18, 2018, includes a category of records defined as 'Audit Engagement Working Files,' e.g., audit notifications and documents pertaining to coordination and response preparation." The National Archives Records Administration Records Schedule DAA-0478-2018-0002 specifically states, "Cutoff Instruction[:] Cut off upon completion of all audit-related activities. Retention Period[:] Destroy 6 years after cutoff or when no longer needed for business, whichever is later." IOC's position is that they are "not required to maintain that information. The time-period of request from OIG would exclude any documentation from 2017 or earlier."

The audit resolution process is part of "all audit-related activities" and as such, all documentation related to the audit, including the resolution process through the closure of the final report, must also be maintained. Furthermore, accurate records of the status of audit reports or recommendations are required to be maintained through the entire process of resolution and corrective action, according to OMB *Circular No. A-50 Revised*, which would apply to any recommendations in which corrective actions have not been fully implemented.

IOC also stated that "a Standard Operating Procedure is defined as a document containing step-by-step instructions to guide employees on how to perform a technical, repetitive process within an organization. The sole purpose of a [Standard Operating Procedure] is to serve as suggestive guidance for employees on how to complete tasks. It should not be considered or compared to a policy, criteria, or law." While IOC states that its Standard

Operating Procedure is "suggestive guidance for employees," nowhere in the Standard Operating Procedure does it mention these are "suggestive" guidance. In addition, the Standard Operating Procedure "is to document the process for conducting the audit recommendation follow-up process" and "applies to all personnel working in or assisting the [IOC] and other OPM officials involved in the audit follow-up process."

GAO's *Standards for Internal Control in the Federal Government*, Principle 10.03 states that the internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation may appear in management directives, administration policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.

As a result of IOC not ensuring that all resolution documentation is retained, there is the potential risk that IOC may not be resolving and closing recommendations accurately and timely.

Recommendation 3

We recommend that OPM's audit follow-up official work with Internal Oversight and Compliance to ensure that the documentation retention policy for audit resolution covers the entire process through audit closure to ensure that documentation is properly managed, maintained, and readily available for review and examination.

OPM's Response:

Management concurs with this recommendation. "OPM has updated the relevant Standard Operating Procedure to reflect that audit engagement working files will be maintained until the completion of all audit-related activities. Additionally, IOC has begun creating folders on a shared drive, where all audit documentation will be saved going forward. … In addition, the new audit management system will help ensure that documents are retained to properly demonstrate compliance with the audit resolution guidance."

OIG Comment:

OPM provided IOC's *Audit Follow-Up Standard Operating Procedure*, dated September 2024, and screenshots of folders from their shared drive. The standard operating procedure includes guidance to maintain all files until the completion of all audit-related activities; however, the document refers to maintaining files in the Audit Follow-Up Tracking System, which was decommissioned on November 9, 2023. Furthermore, the P drive screenshots do not show what, if any, information is being housed in the folders where audit follow-up documentation is supposed to be maintained. We will review additional documentation as

well as information regarding the new audit management system during the resolution process to determine if this recommendation can be closed.

Recommendation 4

We recommend that Internal Oversight and Compliance implement "required," not "suggestive," guidance detailing audit resolution responsibilities and procedures.

OPM's Response:

Management concurs with this recommendation. "IOC has updated the relevant Standard Operating Procedure to reflect that the guidance is required for the resolution process."

OIG Comment:

OPM provided IOC's *Audit Follow-Up Standard Operating Procedure*, dated September 2024, which states that the standard operating procedure is "to document the [required] process for conducting the audit recommendation follow-up process." While the inclusion of this language in the standard operating procedure addresses the recommendation, we could not determine if the updated procedure has been issued and communicated. As a result, we consider this recommendation **resolved**, with closure dependent upon the receipt of documentation supporting that the *Audit Follow-Up Standard Operating Procedure* has been issued and communicated to all applicable parties.

2. **Corrective Actions Not Documented and in Place**

We judgmentally selected and reviewed 47 recommendations, 25 closed and 22 open, out of 229 final reports directed to OPM, from final reports issued between September 23, 2008, and May 22, 2023, to determine if OPM's audit follow-up official ensured that systems of audit follow-up, resolution, and corrective actions are documented and in place.

We could not determine if OPM's audit follow-up official ensured that corrective actions were in place for all 25 closed recommendations because no documentation was provided by IOC to support that the corrective actions were in place. However, since the recommendations are closed, we did not request that further action be taken.

While we were able to review corrective actions for 12 of the 22 open recommendations, corrective action documentation was not available for the remaining 10 open recommendations, and therefore we were unable to determine if OPM's audit follow-up official is ensuring that systems of audit follow-up, resolution, and corrective action are documented and in place. Details of our results were provided to IOC separate from this report.

IOC stated that they have "limited resources to oversee corrective action plans" and "corrective actions are noted in management responses to final reports, as required by OMB

A-50." However, the management responses provided by IOC to resolve open recommendations are inconsistent and do not always include information such as management's plan of action and milestone dates. This requires the OIG to request additional information to determine the status of the recommendation on a regular (e.g., monthly, quarterly) basis.

OMB *Circular No. A-50 Revised* states, "The audit follow-up official has personal responsibility for ensuring that (1) systems of audit follow-up, resolution, and corrective action are documented and in place, … ." In addition, agencies shall "Maintain accurate records of the status of audit reports or recommendations through the entire process of resolution and corrective action."

As stated in our finding, Internal Oversight and Compliance Procedures Not Followed, GAO's *Standards for Internal Control in the Federal Government*, Principle 10.03, discusses the need for proper document management and retention.

As a result of the audit follow-up official not ensuring that corrective action plans are documented and in place, recommended improvements to OPM's operations and processes may not be occurring.

Recommendation 5

We recommend that the audit follow-up official provide the OIG with corrective actions for the 10 open recommendations identified in this finding.

OPM's Response:

Management concurs with this recommendation. "The Audit Follow-up Official agrees with providing OIG with corrective actions for recommendations that have not been closed. To date, 4 of the 10 recommendations have closed. OPM notes that 1 of the remaining 6 will not have corrective actions because OPM did not concur with the recommendation. IOC will work with the relevant program office to identify a solution for that open recommendation. IOC will continue to work with the program offices on corrective actions."

OIG Comment:

OPM did not provide documentation for the four recommendations that have been closed. We will review the corrective action documentation, along with support for the remaining six recommendations during the audit resolution process.

Recommendation 6

We recommend that the audit follow-up official develop and implement a process to obtain corrective actions, which include details such as management's plan of action and milestone dates, for all recommendations issued to OPM program offices.

OPM's Response:

Management concurs with this recommendation. "IOC developed a corrective action plan (CAP) template to be used for OIG audit recommendations. The CAP template will be used for OIG recommendations only, as GAO and other audit organization[s] use management responses for the purposes of determining the corrective action plan. … Additionally, we have begun using the CAP to identify corrective actions for open recommendations."

OIG Comment:

OPM provided a *Corrective Action Plan, Audit Findings Resolution Supporting Documentation* template, created by IOC in September 2024. The template will be used for resolving OIG findings and recommendations and includes details of the finding, recommendation, management decision, planned corrective action, and milestone/estimated completion dates. The template also includes a section with the due date to complete the implementation of the corrective action plan, as well as a section to include program office and audit information. IOC also provided email correspondence, which showed that the template was provided to IOC's Deputy Chief by the audit liaison assigned to resolve the recommendations in the report; however, the corrective action plan had not been completed. As a result, we consider this recommendation **resolved**, with closure dependent upon the receipt of documentation supporting the Corrective Action Plan is actively being used.

3. **Memoranda of Understanding Are Not Aligned with Current Processes**

   FEIO's Memorandum of Understanding (MOU) – *Audit Resolution Timeline*, dated April 13, 2011, and MOU – *Audit Resolution Timeline for Information Systems Audits*, dated January 22, 2013, memorializes concurrence and support from stakeholders for the audit resolution timelines related to the resolution of audits of the FEHBP, Federal Employees' Group Life Insurance, Federal Employees Dental and Vision Insurance, Federal Flexible Spending Account, and Federal Long Term Care Insurance Programs. The audit process has changed since 2011 and 2013, yet the audit resolution requirements and process discussed in the MOUs have remained the same. Specifically, we determined that:

   - Audit resolution process stakeholders that received the MOUs – *Audit Resolution Timeline* and *Audit Resolution Timeline for Information Systems Audits,* are either no longer employed by the program offices or no longer employed by OPM. The Healthcare and Insurance Office stated that "the names of some of the stakeholders and some of the organizations may have changed, but the function of these organizations have not changed significantly." The OIG disagrees with Healthcare and Insurance's position. One example of a significant change is that the Contracting office is now a stand-alone program office within OPM; however, it was under another OPM office when the MOUs were signed. In addition, by not updating the MOUs periodically and ensuring that all stakeholder organizations and individuals are aware of the responsibilities detailed in the

MOUs, there is a risk that not everyone in the stakeholders' organizations is aware of the agreed upon processes.

- Guidance and procedures listed in the MOUs – *Audit Resolution Timeline* and *Audit Resolution Timeline for Information System Audits*, such as the organizational structures, stakeholder responsibilities, and audit lifecycles, are no longer applicable or meet operational needs. The Healthcare and Insurance Office stated that "The OIG has not provided evidence to support how the guidance and procedures listed in the MOU are no longer applicable or meet operational needs." However, the results of our audit (e.g., not meeting the 180-day requirement, see Finding Resolution Timeliness) are evidence that the guidance and procedures listed in the MOUs are not meeting all the operational needs of the resolution process.

FEIO believes that the MOUs do not need to be changed because the MOUs bind the organizations, not the individuals, and the processes have not changed.

GAO's *Standards for Internal Control in the Federal Government* discuss management's responsibilities to periodically review and communicate updates to its policies, procedures, and internal control system:

- Principle 3, *Establish Structure, Responsibility, and Authority*, states, "Management documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity."

- Principle 12, *Implement Control Activities*, states, "Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. … Management considers these changes in its periodic review."

- Principle 16, *Perform Monitoring Activities*, states, "Management establishes a baseline to monitor the internal control system. The baseline is the current state of the internal control system compared against management's design of the internal control system. … Once established, management can use the baseline as criteria in evaluating the internal control system and make changes to reduce the difference between the criteria and condition. … Management either changes the design of the internal control system to better address the objectives and risks of the entity or improves the operating effectiveness of the internal control system.

As part of monitoring, management determines when to revise the baseline to reflect changes in the internal control system."

By not ensuring that the MOUs are aligned with the current process, FEIO and its stakeholders could be at risk of increased inconsistencies, errors, and timeliness issues within the audit resolution process.

Recommendation 7

We recommend that Federal Employee Insurance Operations work with all appropriate stakeholders to update the MOUs to reflect the Federal Employee Insurance Operations' current resolution process and implement a plan to regularly review and update the MOUs.

OPM's Response:

Management concurs with this recommendation. "FEIO is reviewing existing MOUs to determine whether updates are needed to align with the current resolution processes and will update MOUs that are not consistent with FEIO's current resolution process. FEIO will include a 5-year review period for MOUs and update the MOUs as needed. The 5-year review period will begin the date the revised MOUs are executed."

Recommendation 8

We recommend that Federal Employee Insurance Operations communicate any new or updated MOUs to the appropriate stakeholders.

OPM's Response:

Management concurs with this recommendation. "If FEIO determines updates are needed, we will communicate them to the appropriate stakeholders."

4. Resolution Documentation Is Not Maintained and/or Readily Available

We judgmentally selected 29 out of 141 final reports, from January 1, 2019, through April 30, 2023, to determine if ARC was following applicable laws, regulations, and internal policies and procedures to resolve open recommendations. We analyzed documentation provided by ARC and determined that the documentation was incomplete for 27 out of 29 of ARC's red folders (electronic) or closeout folders (hard-copy and electronic), including missing resolution letters, transmittal letters, health carriers' corrective action workplans, and final report receipt dates. If additional information was available, it was not provided to the OIG for review. Details of our results were provided to ARC separate from this report.

The Healthcare and Insurance Office believes that their "internal controls are adequate to help ensure ARC's staff responsible for resolving findings and recommendations are following internal policies and procedures, laws, regulations, and ARC's guidance. … across

the spectrum of resolution," including spreadsheet reviews, weekly one on one meetings with each Program Analyst on the team, and peer reviews. In addition, monthly meetings are held with IOC to discuss audits and recommendations in program audits, as well as with OIG and IOC to discuss program and carrier audits of the Healthcare and Insurance Office. To close an audit, multiple pieces of documentation, such as routing slips, resolution letters, carrier's responses, email exchanges with the OIG and/or IOC and/or other stakeholders, analyses, claims documentation, meeting notes, etc. are required. While ARC has guidance and internal controls in place, the Healthcare and Insurance Office expressed that the lack of an audit tracking system to assist in facilitating workflows and act as a repository for ARC documentation means that its limited resources must be used to complete all of the administrative functions in the resolution process, such as saving files and documentation on its shared drive, instead of spending more time analyzing the data and identifying when an audit is deficient of documentation/evidence. In addition, the transition to full-time telework during the pandemic resulted in some documentation not being uploaded electronically to its shared drive.

The Healthcare and Insurance Office also stated that it "would be burdensome for ARC to verify each item that OIG tested for accuracy that is not required by ARC's guidance." However, the testing criteria in the OIG's checklist came directly from ARC's *Guidance For Resolving Audits* and *Guidance For Resolving Claims Audits*.

GAO's *Standards for Internal Control in the Federal Governmen*t, Principle 10 – Design Control Activities, advises that "Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks ... [and] clearly documents internal control … in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

OMB *Circular No. A-50 Revised* states that agencies shall "Maintain accurate records of the status of audit reports or recommendations through the entire process of resolution and corrective action."

By not maintaining accurate records associated with its resolution of reported recommendations, there is a risk that ARC is not following GAO's *Standards for Internal Control in the Federal Government* and OMB *Circular No. A-50 Revised*, and that recommended improvements to operations and processes may not be occurring.

Recommendation 9

We recommend that, going forward, Audit Resolution and Compliance's audit resolution files contain all support related to the recommendations, from report issuance through audit closure, and the information is readily available.

OPM's Response:

Management concurs with this recommendation and states that "relevant documentation in the audit file should be readily available. While ARC has guidance and internal controls in place, we anticipate that an OPM-wide audit management system will offer an efficient method to house and track all documentation required to close an audit. ARC is also reviewing its existing internal controls to determine whether updates are needed."

C.   **Resolution Timeliness**

OPM is not resolving recommendations within 6 months and completing final action(s) within 12 months from the issuance of the final report.

OMB *Circular No. A-50 Revised* requires, "prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report … . Corrective action should proceed as rapidly as possible „ ,"

The *Inspector General Act of 1978*, as amended, states "(a) MANAGEMENT DECISIONS.— (1) The head of a Federal agency shall make management decisions on all findings and recommendations set forth in an audit report of the inspector general of the agency within a maximum of six months after the issuance of the report. (2) The head of a Federal agency shall make management decisions on all findings and recommendations set forth in an audit report of any auditor from outside the Federal Government within a maximum of six months after the date on which the head of the agency receives the report. (b) COMPLETION OF FINAL ACTION.— The head of a Federal agency shall complete final action on each management decision required with regard to a recommendation in an inspector general's report under subsection (a)(1) within 12 months after the date of the inspector general's report."

As detailed below, IOC did not resolve all nine of the recommendations that we sampled within 6 months after the issuance of the final report and did not complete final action on each management decision required regarding eight out of the nine recommendations sampled within 12 months after the date of the final report. In addition, ARC did not resolve or close 65 out of 201 recommendations that we sampled within 6 months after the issuance of the final report or complete final action on each management decision required regarding recommendations within 12 months after the date of the final report for 47 out of 201 recommendations.

By not resolving recommendations within a maximum of six months after issuance of a final report, OPM is not in compliance with OMB *Circular No. A-50 Revised* and the *Inspector*

General Act of 1978, as amended, and recommended improvements to OPM's operations and processes are not occurring in a timely manner.

1. **Internal Oversight and Compliance**

   From the 47 final reports sampled for review, we judgmentally selected one recommendation each from 9 of the 47 final reports sampled, for a total of nine recommendations, from September 23, 2008, through May 22, 2023, to determine if resolution was made within a maximum of six months after issuance of the final report, in accordance with OMB *Circular No. A-50 Revised*. None of the nine recommendations that we sampled were resolved within six months after the issuance of the final report. In addition, eight of the nine recommendations did not have a completed final action on each management decision within 12 months after the date of the Inspector General's report, in accordance with the *Inspector General Act of 1978*, as amended. Details of our results were provided to IOC separate from this report.

   IOC stated that they have "limited resources to oversee corrective action plans … ."

2. **Audit Resolution and Compliance**

   We judgmentally selected 25 out of 29 final reports issued between January 1, 2019, and April 30, 2023, to determine if resolution was completed timely. The 25 sampled reports included a total of 201 recommendations. ARC resolved or closed 136 of the 201 recommendations within a maximum of six months after issuance of the final report and did not resolve the remaining 65 recommendations within six months, in accordance with OMB *Circular No. A-50 Revised*. In addition, 47 of the 201 recommendations did not have a completed final action on each management decision within 12 months after the date of the Inspector General's report, in accordance with the *Inspector General Act of 1978*, as amended. Details of our results were provided to ARC separate from this report.

   In addition to our selected samples, we identified the following four final reports that contained 13 open recommendations directed towards OPM program offices where resolution exceeded a maximum of six months after issuance of the final report:

   - Recommendation number 16 from audit report number 4H-00-19-007, titled *Audit of the U.S. Office of Personnel Management's Administration of Federal Employee Insurance Programs*, issued October 30, 2020.

   - Recommendation numbers 1 through 5 from audit report number 2022-CAAG-0014, titled *Evaluation of COVID-19's Impact on FEHBP Telehealth Services and Utilization*, issued March 6, 2023.

- Recommendation numbers 16 through 20 from audit report number 2022-CRAG-0010, titled *Audit of the Federal Employees Health Benefits Program Termination Process at Health Plan of Nevada, Inc.*, issued February 15, 2023.

- Recommendations 2 and 3 from audit report number 1G-LT-00-21-013, titled *Audit of the Federal Long Term Care Insurance Program for Contract Years 2017 through 2019*, issued September 12, 2022.

ARC noted that several recommendations were resolved untimely because of competing priorities, resources, and limited staff. In addition, the Healthcare and Insurance Office stated that the "volume of audit recommendations is increasing along with the complexity of findings, requiring more time to resolve," and the "scope of OIG carrier audit reports continues to evolve … to questioning costs and actions that may be based on OPM management actions or areas beyond the scope of the current contract being evaluated." The Healthcare and Insurance Office also stated that "many recommendations require the engagement of stakeholders which generally result in delays. … There have also been delays with carriers needing additional time to provide responses and supporting documentation, requesting clarifications and meetings, etc. Our collaborative relationship with the OIG can sometimes result in delays as well." The Healthcare and Insurance Office stated that they will review their process to see if any additional controls can be added and ARC will work with IOC to develop a work plan to close the program recommendations that are included in carrier audits.

Recommendation 10

We recommend that IOC and ARC develop and implement the necessary internal controls to ensure that all recommendations are resolved within a maximum of 6 months after issuance of a final report and that completed final action on each management decision occurs within 12 months after the date of the Inspector General's report.

OPM's Response:

Management partially concurs with this recommendation. "IOC and ARC will strive to resolve recommendations within six months and work with program offices to close recommendations, as soon as possible.

OPM notes that, despite diligent efforts, some factors relevant to the resolution and closure of recommendations are not always within OPM's control. Resolving recommendations often requires coordination with multiple stakeholders from both OPM and the relevant Carriers, who may have divergent positions on contested audit findings. Complex audits with findings specific to rate reconciliation, medical loss ratio or pharmacy benefit management transparency often require additional research and numerous stakeholder meetings. Carrier audits with questioned costs—especially audits involving large numbers of questioned

claims, and audits where the questioned costs are estimated or not identified—also require additional steps, coordination, documentation, and time.

As indicated in its response to Recommendation 6, ARC will review its MOUs to determine if updates are needed to strengthen the resolution process."

Recommendation 11

We recommend that ARC work with IOC to develop work or corrective action plans, which include timeliness milestones, to resolve any outstanding recommendations directed toward OPM program offices reported in carrier audits.

OPM's Response:

Management partially concurs with this recommendation. "ARC and IOC agree to work together to develop work and corrective action plans for all outstanding recommendations directed toward OPM program offices reported in carrier audits.

However, OPM continues to have concerns about the practice of including recommendations to OPM program offices in audits of individual carriers, and continues to ask that OIG consider alternative methods of reviewing concerns and communicating feedback about OPM processes[.]"

OIG Comment:

The OIG has considered alternative methods of communicating findings when a carrier audit report contains recommendations for both OPM's program offices. We have held various meetings with OPM officials where we have discussed our rationale for not using those alternative methods which are discussed in this report. The OIG does not have current plans to change our reporting process; however, if changes occur in the future, we will open communication with OPM to discuss the new process.

D. Monetary Recoveries

1. Internal Oversight and Compliance

IOC did not fully track recommendations with monetary recoveries to be returned to OPM in their Audit Follow-up Tracking System. We requested documentation for 6 out of 20 recommendations with monetary recoveries from final reports issued between July 10, 2014, and June 18, 2020, to confirm that the funds were returned per the recommendation. IOC did not provide documentation to support that they verified recovery amounts for the following five recommendations requested:

- Recommendation 3 from audit report number 4A-RS-00-1 3-033, titled *Assessing the Internal Controls Over the U.S. Office Of Personnel Management's Retirement Services' Retirement Eligibility and Services Office*, issued April 13, 2015.

- Recommendations 3, 5, 7, and 9 from audit report number 3A-CF-00-13-051, titled *Audit of the 2005 through 2012 Combined Federal Campaigns Administered by the Metropolitan Arts Partnership Sacramento, California*, issued July 10, 2014.

IOC stated that once they receive supporting documentation from the respective program offices, they review the documentation to ensure that the money has been received before considering the recommendation for closure. However, IOC did not provide evidence to show that they are tracking monetary recoveries; specifically, that the money has been received by OPM before they close the recommendation.

OMB *Circular No. A-50 Revised* states, "In order to ensure effective recovery action, each agency will establish accounting and collection controls for amounts due the Government as a result of resolved audit findings and recommendations."

GAO's *Standards for Internal Control in the Federal Government, Principle 10 – Design Control Activities*, states that "Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. 'Transactions' tends to be associated with financial processes (e.g., payables transactions), while 'activities' is more generally applied to operational or compliance processes. For the purposes of this standard, 'transactions' covers both definitions. Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities." In addition, *Principle 11 – Design Activities for the Information System* states, "Management designs the entity's information system and the use of information technology by considering the defined information requirements for each of the entity's operational processes."

As a result of IOC not having the capabilities to track recommendations with monetary recoveries, there is a potential risk that OPM may not properly recoup amounts due for recovery.

Recommendation 12

We recommend that Internal Oversight Compliance design a system of controls to track recommendations requiring monetary recoveries, including the five recommendations identified in this finding, to ensure that OPM has recovered all monies.

OPM's Response:

Management does not concur with this recommendation. "IOC tracks both monetary and non-monetary program recommendations in our audit management system. … OPM also notes that, although our system does not currently have a means for recording monetary findings/recoveries, we plan to include requirements to do so in the new audit management system that OPM is developing, subject to adequate funding."
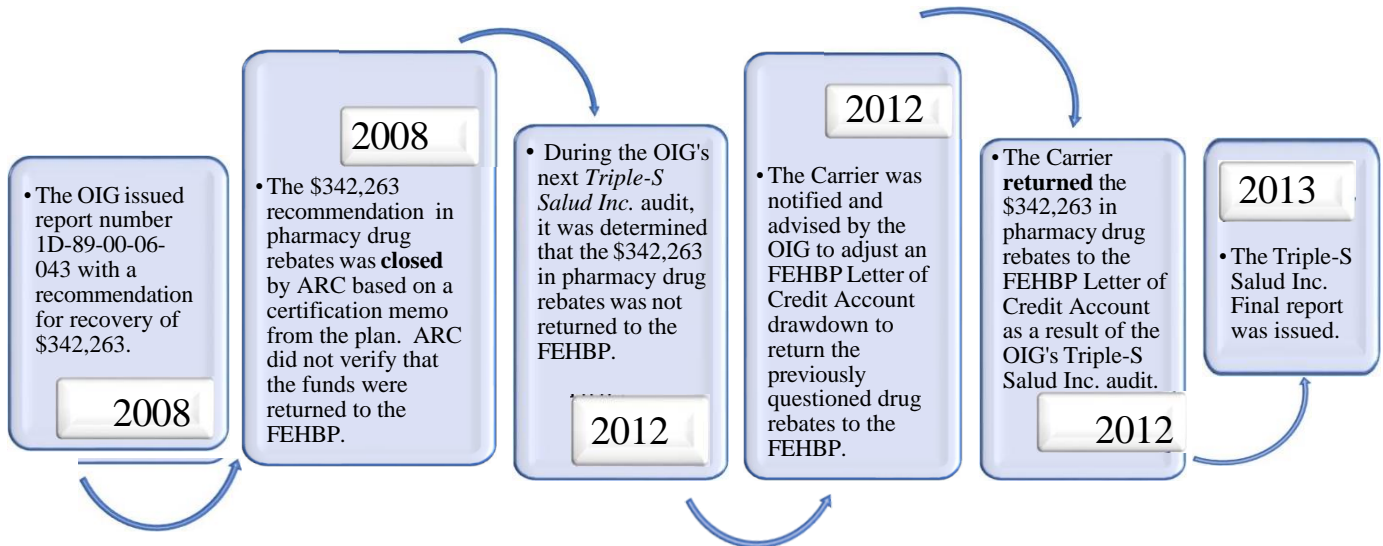
OIG Comment:

We have amended our finding and recommendation based on the documentation provided by OPM. OPM provided email correspondence for:

- Recommendation 3 of report number 4A-RS-00-13-033, showing that IOC was "tracking" the recoveries and noted the closure of a case with recoveries of $860.60. However, another case was still in progress. Retirement Services requested OIG's assistance to investigate possible fraud. The recovery of these funds was to be based on the OIG's closure of the fraud investigation case. At the point of the correspondence provided to us, dated May 2016, the case was still under investigation by the OIG and OPM stated that there was little that Retirement Services could do to move forward with the recovery of funds. This recommendation was closed by IOC in July 2016. After this, the OIG's Office of Investigations provided a restitution memo, dated October 2, 2017, informing OPM's OCFO and Retirement Services that the OIG received notification from the U.S. Department of the Treasury that a debit for the entire amount of the overpayment of $31,908.50 would occur. At this point the case was closed by the OIG.

- Recommendations 3, 5, 7, and 9 from audit report number 3A-CF-00-13-051 showing that IOC was "tracking" the recommendations and that the campaign was dissolved, and monies were collected, which closed the audit as of August 2015. However, OPM did not provide documentation supporting what monies were recovered.

As a result, we do not have support to show the amounts recovered for Recommendation 3 from report number 4A-RS-00-13-033 and Recommendations 3, 5, 7, and 9 from audit report number 3A-CF-00-13-051. In addition, IOC did not provide us with support to show that both monetary and non-monetary program recommendations are being tracked in their current audit management system, since the Audit Follow-up Tracking System has been decommissioned.

2. Audit Resolution and Compliance

ARC did not verify that $342,263 was returned to the FEHBP. During this audit, we were made aware of an OIG report[5] that identified the following:

2008
- The OIG issued report number 1D-89-00-06-043 with a recommendation for recovery of $342,263.
  2008

2008
- The $342,263 recommendation in pharmacy drug rebates was **closed** by ARC based on a certification memo from the plan. ARC did not verify that the funds were returned to the FEHBP.

- During the OIG's next *Triple-S Salud Inc.* audit, it was determined that the $342,263 in pharmacy drug rebates was not returned to the FEHBP.
  2012

2012
- The Carrier was notified and advised by the OIG to adjust an FEHBP Letter of Credit Account drawdown to return the previously questioned drug rebates to the FEHBP.
  2012

- The Carrier **returned** the $342,263 in pharmacy drug rebates to the FEHBP Letter of Credit Account as a result of the OIG's Triple-S Salud Inc. audit.

2013
- The Triple-S Salud Inc. Final report was issued.

ARC's resolution process includes accepting certifications[6] and/or checks from the FEHBP health carriers for the return of questioned amounts from OIG final reports to the FEHBP. For certifications received from the carriers, ARC files the documentation in their Electronic Red Folder or Closeout folder, without verifying that the funds were returned through the Letter of Credit Account.[7] For checks received from carriers, ARC accepts the checks and sends them to the OCFO; however, ARC does not verify with the OCFO that the checks have cleared and been deposited into the correct contingency reserve account.

The Healthcare and Insurance Office states that verifying that funds were returned has traditionally been performed by the OIG and is not something ARC has done in the past. The OIG's Experience-Rated Audit Group does conduct audits of a health carrier's Letter of Credit Account drawdowns to determine if miscellaneous payments charged to the FEHBP followed the contract and to determine if credits and miscellaneous income were returned timely to the FEHBP. However, the OIG has expressed concerns to ARC that we can only verify returned funds when a health carrier audit is conducted and the OIG does not conduct annual audits of the same carriers, so it can take years for the carrier to be audited again.

---

[5] Audit report number 1D-89-00-12-036, *Audit of Triple-S Salud Inc.*, issued March 18, 2013.
[6] A certification is a letter from the Blue Cross Blue Shield Association/Federal Employees Program Director's Office and/or health carriers for the return of questioned amounts to the FEHBP.
[7] The Letter of Credit Account is a system developed by OPM to allow FEHBP health carriers to enter requests for funds, including the return or offset of funds owed to the FEHBP.

OMB *Circular No. A-50 Revised*, Section 11 states, "In order to ensure effective recovery action, each agency will establish accounting and collection controls for amounts due the Government as a result of resolved audit findings and recommendations."

As stated in our finding *Monetary Recoveries, Internal Oversight and Compliance*, GAO's *Standards for Internal Control in the Federal Government* discusses management's design of transaction control activities, which may include verifications, reconciliations, authorizations and approvals, and supervisory control activities.

Recommendation 13

We recommend that ARC work with the Office of the Chief Financial Officer to develop a process to verify that questioned funds identified in final reports and agreed to be returned to the FEHBP are fully returned to the FEHBP.

OPM's Response:

Management concurs with this recommendation. "ARC will work with OCFO and other stakeholders to develop a process to verify that questioned funds identified in final reports and agreed to be returned to the Federal Employees Health Benefits Program are fully returned to the Program."

E.   Communication Deficiencies in the Audit Resolution Process

The ARC and IOC resolution processes lack notification procedures for communicating responsibilities to each other regarding final reports that contain recommendations to both OPM and health carriers.

ARC handles the resolution process for recommendations directed to health carriers and IOC handles the resolution process for recommendations directed towards OPM program offices. However, in some instances, an audit of a health carrier may result in recommendations for OPM once the final report is issued. OPM's audit follow-up official is included on all final report transmittals issued to health carriers and IOC receives a copy of the final report through its centralized email. IOC states that they are unaware of the recommendations within health carrier final reports and do not enter the recommendations into their Audit Follow-up Tracking System for tracking, unless ARC informs IOC that the report contains recommendations directed to OPM to resolve.

During our review, we identified three recommendations directed to OPM, from health carrier audits, which should have been handled by IOC. Specifically;

- Recommendation 1 from audit report number 1C-59-00-20-043, titled *Audit of the Federal Employees Health Benefits Program Operations at Kaiser Foundation Health Plan, Inc*,

issued August 16, 2022. ARC did not inform IOC about the recommendation directed to FEIO's Healthcare and Insurance office.

- Recommendations 2 and 3 from audit report number 1G-LT-00-21-013, titled *Audit of the Federal Long Term Care Insurance Program for Contract Years 2017 through 2019*, issued September 12, 2022. ARC communicated with IOC that the response to the recommendations directed to OPM should be handled by IOC. We also noted that on September 22, 2022, IOC received a copy of the final audit report and had internal discussions about whether to add the audit to their Audit Follow-up Tracking System. As of December 7, 2023, we had not received evidence to support that the audit report and corresponding recommendations had been added to IOC's tracking system, and neither IOC nor ARC had initiated the resolution process.

The Healthcare and Insurance Office stated that they have not taken the time to engage IOC to formalize the notification process when a health carrier audit includes a combination of recommendations to both OPM and the health carrier. The Healthcare and Insurance Office also states that "The OIG placed Program recommendations in a carrier audit thereby creating a new type of audit, without providing notification to ARC or IOC of this divergence and the resulting impact to the resolution process." In addition, "including recommendations directed to OPM in carrier audits has the potential to hold open a carrier audit report, as OIG and HI [the Healthcare and Insurance Office] work to resolve audit findings, where the carrier(s) may have no control. … The carrier can work diligently with OPM to close all carrier recommendations, but the audit is held in an open or resolved status until the Program recommendations are resolved or closed." The Healthcare and Insurance Office is willing to work to formalize an appropriate notification process to address audits that contain recommendations for both OPM and the health carriers and has communicated their concerns with the inclusion of recommendations directed at OPM where OPM is not the audited party.

The OIG has discussed with Healthcare and Insurance Office management the impact that separating recommendations to health carriers and OPM's program offices resulting from one audit would have, including potential delays in reporting results to OPM's Director, Congress, and the public if multiple reports were to be issued. In addition, the OIG's process of including program recommendations in health carrier audits is not a "divergence" or "new type of audit." The OIG reports the results of the audit in our audit report, which consists of determining who is responsible for addressing the issues identified. In cases where parties other than the health carriers are responsible for resolution of an issue identified, it would be inappropriate for us not to make a recommendation to the responsible party, such as an OPM program office. In addition, issuing separate audit reports when we identify findings and recommendations for both the health carrier and the program office would be a complex process, causing delays in issuing the results of our audit work, and a duplication of the OIG's reporting process. The OIG's health carrier audit reports include all necessary information and are issued to all applicable parties.

OMB *Circular No. A 50 Revised* requires, "prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible."

GAO's *Standards for Internal Control in the Federal Government* state that management is responsible for documenting internal control to meet operational needs. Documentation of controls includes changes to controls that are capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity. In addition, section 17.06 states that "Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. These corrective actions include resolution of audit findings. Depending on the nature of the deficiency, either the oversight body or management oversees the prompt remediation of deficiencies by communicating the corrective actions to the appropriate level of the organizational structure and delegating authority for completing corrective actions to appropriate personnel."

The *Inspector General Act of 1978*, as amended, states, "(a) Management Decisions.—(1) The head of a Federal agency shall make management decisions on all findings and recommendations set forth in an audit report of the inspector general of the agency within a maximum of six months after the issuance of the report. (2) The head of a Federal agency shall make management decisions on all findings and recommendations set forth in an audit report of any auditor from outside the Federal Government within a maximum of six months after the date on which the head of the agency receives the report. (b) Completion of Final Action.—The head of a Federal agency shall complete final action on each management decision required with regard to a recommendation in an inspector general's report under subsection (a)(1) within 12 months after the date of the inspector general's report. If the head of the agency fails to complete final action with regard to a management decision within the 12-month period, the inspector general concerned shall identify the matter in each of the inspector general's semiannual reports pursuant to section 405(b)(3) of title 5, United States Code, until final action on the management decision is completed."

By not communicating resolution responsibilities and properly tracking recommendations issued in reports, there were at least three open recommendations, over a year old, where the resolution process had not begun in a timely manner. As such, OPM is not ensuring prompt resolution and corrective actions on recommendations in accordance with the OMB *Circular No. A 50 Revised* and the *Inspector General Act of 1978*, as amended.

Recommendation 14

We recommend that Internal Oversight and Compliance immediately track the three recommendations described in our finding and begin the resolution process to resolve and close the recommendations.

OPM's Response:

Management concurs with this recommendation and states that "one of the three recommendations has closed. IOC will continue to work with the program offices to resolve and close the remaining recommendations."

OIG Comment:

IOC has provided supporting documentation to show that they are tracking the three recommendations identified in this finding; however, we did not receive documentation for the closed recommendation. As a result, we consider this recommendation **resolved**, with closure dependent upon the receipt of documentation supporting the closed recommendation and that the resolution process has begun to resolve and close the remaining three recommendations.

Recommendation 15

We recommend that Audit Resolution and Compliance and Internal Oversight and Compliance develop and implement audit resolution policies and procedures for carrier audits that contain recommendations for both OPM and health carriers.

OPM's Response:

Management concurs with this recommendation. "Although OPM believes that Program recommendations should not be included in carrier audits, OPM has documented its process regarding ARC coordination with IOC for carrier audits that include one or more program recommendation(s), as reflected in ARC's 'Audit Resolution & Compliance Guidance for Resolving Audits' and IOC's updated Standard Operating Procedure. ARC and IOC's policies and procedures indicate that IOC will be notified by ARC if there are program recommendations included in carrier audits. ARC is responsible for working with the subject matter experts in HI [Healthcare and Insurance] to facilitate the responses to the Notice of Findings and Recommendations (NFR), the draft report, and the final audit report. The Associate Director of HI signs the NFR, draft, and final report responses. ARC provides the responses to IOC, who facilitates the resolution process."

OIG Comment:

OPM provided IOC's *Audit Follow-Up Standard Operating Procedure*, dated September 2024, that states "In the case of Carrier Audits completed by OIG, IOC receives communication from Healthcare and Insurance … that there are program recommendations in Carrier Audit Reports. IOC will work with [the Healthcare and Insurance Office] to resolve program recommendations included in the Carrier Audit reports. The audit report documents recommendations and findings that must be addressed. IOC shares the final report with the Program Office."

In addition, email correspondence was provided for three OIG carrier audits, with recommendations directed to OPM, supporting that the Healthcare and Insurance Office is communicating with IOC about program recommendations in those carrier audit reports.

Based on our review of the documentation, we have determined that this recommendation can be **closed.**

Recommendation 16

We recommend that any new policies developed and implemented be communicated to the necessary stakeholders.

OPM's Response:

Management concurs with this recommendation. "ARC has shared its procedures for resolving program recs [recommendations] in carrier audits."

OIG Comment:

OPM provided IOC's *Audit Follow-Up Standard Operating Procedure*, dated September 2024, which states "In the case of Carrier Audits completed by OIG, IOC receives communication from Healthcare and Insurance … that there are program recommendations in Carrier Audit Reports. IOC will work with [the Healthcare and Insurance Office] to resolve program recommendations included in the Carrier Audit reports. The audit report documents recommendations and findings that must be addressed. IOC shares the final report with the Program Office."

In addition, the Healthcare and Insurance Office provided *Audit Resolution and Compliance, Guidance for Resolving Audits*, dated September 2024, which includes updated procedures on ARC's process for carrier audits with Healthcare and Insurance Program Recommendations. ARC's guidance notes that carrier audits may include program recommendations for the Healthcare and Insurance Office (versus a recommendation for an FEHB Carrier). If a carrier audit includes program recommendation(s), ARC will notify IOC via email of the program recommendation(s). ARC is responsible for working with the subject matter experts in the Healthcare and Insurance Office to facilitate the responses to the Notice of Findings and Recommendations, the draft report and the final audit report. The Associate Director of Healthcare and Insurance signs the Notice of Findings and Recommendations and draft and final report responses. ARC provides responses to IOC who facilitates the resolution process.

While OPM has developed procedures, we could not determine if the updated procedures have been issued and communicated. As a result, we consider this recommendation **resolved**, with closure dependent upon the receipt of documentation supporting that *the Audit Follow-Up Standard Operating Procedure* and *Audit Resolution and Compliance, Guidance for Resolving*

Audits has been issued and communicated to all applicable stakeholders, such as the OIG, other applicable OPM program offices, and health carriers.

F.   OPM's Audit Follow-up Official's Authority Was Circumvented

ARC did not ensure that OPM's audit follow-up official was responsible for resolving recommendations for two carrier audits. Specifically, we determined that for:

- Audit report number 1G-LT-00-18-040, *Audit of BENEFEDS as Administered by Long Term Care Partners, LLC for Contract Years 2014 through 2016*, issued September 11, 2019 – Two recommendations were directed to the carrier and one recommendation was directed to OPM. ARC closed all three recommendations, including the one directed to OPM even though ARC's policy states that recommendations directed to an OPM program office must be resolved by IOC.

- Audit report number 1A-99-00-18-005, *Audit of Claim Amounts Paid That Equaled or Exceeded Covered Charges at all Blue Cross and Blue Shield Plans*, issued March 13, 2020 - One recommendation was directed to OPM and was closed by ARC instead of IOC.

In addition, no support was provided by ARC to show that OPM's audit follow-up official resolved the recommendations for the two carrier audits and that IOC concurred with the closure.

While contracting officers within the Healthcare and Insurance Office have been designated as the officials responsible for closing carrier audits, OPM's audit follow-up official is responsible for closing findings and recommendations directed to OPM, not the contracting officers. As such, the Healthcare and Insurance Office did not follow the appropriate segregation of duties when the contracting officer closed findings and recommendations directed to OPM (the Healthcare and Insurance Office) since they are also responsible for administering OPM's FEHBP.

The Healthcare and Insurance Office stated that recommendations for the contracting officer, program office, or OPM, in connection with carrier/contractor audits, are more appropriately provided to OPM through another OIG vehicle, such as a management advisory report, and directly to the OPM entity that is responsible for resolving program recommendations (e.g., IOC), to avoid disclosing internal OPM deliberations and to allow more effective program administration and reducing the resolution lead time as IOC would have the audit report upon release. Including recommendations directed to OPM in carrier audits has the potential to hold open a carrier audit report, as OIG and the Healthcare and Insurance Office work to resolve audit findings, where the carrier(s) may have no control, as discussed in the *Communication Deficiencies in the Audit Resolution Process* finding of this report.

The Healthcare and Insurance Office states that "Once it became evident that OIG would continue to include Program recommendations in carrier audits and not issue them separately from the carrier audit as requested by OPM HI, ARC engaged IOC in the resolution and closure

of Program recommendations in carrier audits." ARC is not able to resolve or close a program recommendation without concurrence from IOC, and when they receive evidence and supporting documentation, it is sent over to IOC, which reviews it for adequacy to close or resolve the recommendation. If IOC determines the information is sufficient, IOC sends it over to the OIG. If the information is not sufficient, IOC will communicate with ARC and request additional information or provide an explanation of what is missing from the information. ARC works with the program office and IOC to obtain whatever information is needed and completes all of the staff work.

GAO's *Standards for Internal Control in the Federal Government* states, "Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk." In addition, Principle 10.13 states, "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. … Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud." Lastly, Principle 10.14 states, "If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

By the audit follow-up official's authority being circumvented, there is a risk that the audit resolution process is not following laws, regulations and internal policies and procedures, and a lack of objectivity could be present when resolving findings and recommendations.

Recommendation 17

We recommend that Audit Resolution and Compliance document and implement internal controls to ensure that concurrence is reached with the appropriate audit resolution process stakeholders before proposing resolution and closure of any program recommendations from carrier audits.

OPM's Response:

Management concurs with this recommendation and states that "ARC had taken actions to engage IOC in the resolution of program recommendations in carrier audits prior to the beginning of OIG conducting this audit. The process is captured in the 'Audit Resolution & Compliance Guidance for Resolving Audits.'"

OIG Comment:

OPM provided email correspondence for two OIG carrier audits, with recommendations directed to OPM, supporting that the Healthcare and Insurance Office is communicating with IOC about program recommendations in those carrier audit reports. Based on our review of the documentation, we have determined that this recommendation can be **closed**.

Recommendation 18

We recommend that Audit Resolution and Compliance follow its resolution procedures and guidance to ensure that Audit Resolution and Compliance is not closing recommendations from carrier audits directed to OPM's program offices.

OPM's Response:

Management concurs with this recommendation. OPM acknowledges that two audits, issued in 2019 and 2020, included program recommendations directed to OPM that were inadvertently closed by ARC. However, OPM notes that it is now following its resolution procedures and guidance, and that ARC escalates program recommendations to IOC for resolution. The process for resolving program recommendations in carrier audits is outlined on page 6 of our "How to Resolve a Final Audit" procedures document.

OIG Comment:

OPM provided email correspondence for OIG health carrier audits, with recommendations directed to OPM, supporting that the Healthcare and Insurance Office is communicating with IOC about program recommendations in those carrier audit reports and providing IOC with information to support the resolution/closure of recommendations in order for IOC to make the final determination. Based on our review of the documentation, we have determined that this recommendation can be **closed**.

September 16, 2024

MEMORANDUM FOR: MICHAEL R. ESSER
                         Assistant Inspector for General Audits

FROM: LAURIE E. BODENHEIMER

LAURIE BODENHEIMER — Digitally signed by LAURIE BODENHEIMER Date: 2024.09.16 17:32:10 -04'00'

Associate Director, Healthcare and Insurance

MARK W. LAMBERT

MARK LAMBERT — Digitally signed by MARK LAMBERT Date: 2024.09.16 17:12:24 -04'00'

Associate Director, Merit System Accountability and Compliance

SUBJECT: OPM Response to the Draft Audit of the U.S. Office of Personnel Management's Audit Resolution Process No. 2023-IAG-021

Thank you for providing OPM the opportunity to respond to the Office of the Inspector General (OIG) draft report, Audit of the U.S. Office of Personnel Management's Audit Resolution Process, 2023-IAG-021

Responses to your recommendations including planned corrective actions, as appropriate, are provided below.

Enterprise-Wide Audit Resolution Structure

Recommendation 1: We recommend that OPM centralize its audit resolution process into one program structure, instead of the current audit resolution structure that delegates responsibilities to multiple programs within OPM.

Management Response: Non-Concur

OPM appreciates OIG's feedback on its audit resolution process and recognizes that there are opportunities to improve its enterprise-wide approach to audit resolution. Although OPM does not have specific plans to merge audit resolution functions (and therefore has not concurred with the recommendation), OPM will take OIG's findings and recommendation into account as it continues considering how to optimize OPM's efficiency and effectiveness.

In the near-term, OPM will take steps to strengthen the connections and alignment between its audit resolution functions, including mapping out the audit resolution processes in ARC and IOC to explore opportunities for streamlining the process and improving communication and coordination. We will share the revised processes with other impacted program offices so they can better understand their respective roles and responsibilities. Moreover, OPM will regularly review open program recommendations through the Risk Management Council, increasing

awareness and accountability among program office leaders. These changes will further OPM's efforts to consistently follow guidance and internal policies and procedures.

Recommendation 2: We recommend that OPM implement a plan to develop an agency-wide audit tracking system with all of the functionality needed to facilitate resolution workflows and which acts as a repository for all resolution and closure documentation.

Management Response: Concur

OPM agrees with the need for an agency-wide audit management system, and OPM is working to develop this system. We will provide OPM's plan for development once it is available. We will keep the OIG abreast of any progress toward the development of this system.

Guidance and Internal Policies not Consistently Followed

Recommendation 3: We recommend that OPM's audit follow-up official work with Internal Oversight and Compliance to ensure that the documentation retention policy for audit resolution covers the entire process through audit closure to ensure that documentation is properly managed, maintained, and readily available for review and examination.

Management Response: Concur

OPM has updated the relevant Standard Operating Procedure to reflect that audit engagement working files will be maintained until the completion of all audit-related activities. Additionally, IOC has begun creating folders on a shared drive, where all audit documentation will be saved going forward. As a result, we believe this recommendation can be closed. We have separately sent OIG documentation to support the closure. In addition, the new audit management system will help ensure that documents are retained to properly demonstrate compliance with the audit resolution guidance.

Recommendation 4: We recommend that Internal Oversight and Compliance implement "required", not "suggestive", guidance detailing audit resolution responsibilities and procedures.

Management Response: Concur

IOC has updated the relevant Standard Operating Procedure to reflect that the guidance is required for the resolution process. As a result, we believe this recommendation can be closed. We have separately sent OIG documentation to support the closure.

Recommendation 5: We recommend that the audit follow-up official provide the OIG with corrective actions for the 10 open recommendations identified in this finding.

Management Response: Concur

The Audit Follow-up Official agrees with providing OIG with corrective actions for recommendations that have not been closed. To date, 4 of the 10 recommendations have closed.

OPM notes that 1 of the remaining 6 will not have corrective actions because OPM did not concur with the recommendation. IOC will work with the relevant program office to identify a solution for that open recommendation. IOC will continue to work with the program offices on corrective actions.

Recommendation 6: We recommend that the audit follow-up official develop and implement a process to obtain corrective actions, which include details such as management's plan of action and milestone dates, for all recommendations issued to OPM program offices.

Management Response: Concur

To address this recommendation, IOC developed a corrective action plan (CAP) template to be used for OIG audit recommendations. The CAP template will be used for OIG recommendations only, as GAO and other audit organization use management responses for the purposes of determining the corrective action plan. OPM has received approval from OIG that the CAP template meets the requirements of OIG's recommendation. Additionally, we have begun using the CAP to identify corrective actions for open recommendations. As a result, we believe this recommendation can be closed. We have separately sent OIG documentation to support the closure.

Recommendation 7: We recommend that Federal Employee Insurance Operations work with all appropriate stakeholders to update the MOUs to reflect the Federal Employee Insurance Operations' current resolution process and implement a plan to regularly review and update the MOUs.

Management Response: Concur.

FEIO is reviewing existing MOUs to determine whether updates are needed to align with the current resolution processes and will update MOUs that are not consistent with FEIO's current resolution process. FEIO will include a 5-year review period for MOUs and update the MOUs as needed. The 5-year review period will begin the date the revised MOUs are executed.

Recommendation 8: We recommend that the Federal Employee Insurance Operations communicate any new or updated MOUs to the appropriate stakeholders.

Management Response: Concur

If FEIO determines updates are needed, we will communicate them to the appropriate stakeholders.

Recommendation 9: We recommend that, going forward, Audit Resolution and Compliance's audit resolution files contain all support related to the recommendations, from report issuance through audit closure, and the information is readily available.

Management Response: Concur

We agree that relevant documentation in the audit file should be readily available. While ARC has guidance and internal controls in place, we anticipate that an OPM-wide audit management system will offer an efficient method to house and track all documentation required to close an audit. ARC is also reviewing its existing internal controls to determine whether updates are needed.

Resolution Timeliness

Recommendation 10: We recommend that Internal Oversight and Compliance and Audit Resolution and Compliance develop and implement the necessary internal controls to ensure that all recommendations are resolved within a maximum of 6 months after issuance of a final report and that completed final action on each management decision occurs within 12 months after the date of the Inspector General's report.

Management Response: Partially Concur

IOC and ARC agree that development and implementation of internal controls to ensure that all recommendations are resolved within a maximum of 6 months after issuance of a final report is required by OMB Circular A-50. IOC and ARC have policies, procedures and internal controls directed at meeting the 6-month deadline for resolution of all recommendations. As a result, IOC and ARC will strive to resolve recommendations within six months and work with program offices to close recommendations, as soon as possible.

OPM notes that, despite diligent efforts, some factors relevant to the resolution and closure of recommendations are not always within OPM's control. Resolving recommendations often requires coordination with multiple stakeholders from both OPM and the relevant Carriers, who may have divergent positions on contested audit findings. Complex audits with findings specific to rate reconciliation, Medical Loss Ratio or Pharmacy Benefit Management transparency often require additional research and numerous stakeholder meetings. Carrier audits with questioned costs—especially audits involving large numbers of questioned claims, and audits where the questioned costs are estimated or not identified—also require additional steps, coordination, documentation, and time.

As indicated in its response to Recommendation 6, ARC will review its MOUs to determine if updates are needed to strengthen the resolution process.

Recommendation 11: We recommend that Audit Resolution and Compliance work with Internal Oversight and Compliance to develop work or corrective action plans, that include timeliness milestones, to resolve any outstanding recommendations directed toward OPM program offices reported in carrier audits.

Management Response: Partially Concur

ARC and IOC agree to work together to develop work and corrective action plans for all outstanding recommendations directed toward OPM program offices reported in carrier audits.

However, OPM continues to have concerns about the practice of including recommendations to OPM program offices in audits of individual carriers, and continues to ask that OIG consider alternative methods of reviewing concerns and communicating feedback about OPM processes Directing recommendations toward OPM program offices when they are not the subject of the audit denies the program offices of proper notice that those offices' policies, practices, or procedures are under review, which undermines the program offices' opportunity to participate fully in the audit and provide comprehensive and thorough responses to inquiries. There are alternate means of communicating concerns or providing feedback for improved processes to OPM program offices, which are more appropriate and provide better opportunities for collaboration.

Monetary Recoveries

Recommendation 12: We recommend that Internal Oversight Compliance design a system of controls to track recommendations requiring monetary recoveries, including the six recommendations identified in this finding, to ensure that OPM has recovered all monies.

Management Response: Non-Concur.

IOC tracks both monetary and non-monetary program recommendations in our audit management system.

IOC has and will separately provide the OIG email documentation to show that we already tracked these recommendations and provided evidence to the OIG to properly account for monetary findings/recommendations and sufficiently closed the recommendations with the OIG's agreement. We have separately sent OIG documentation to support the closure of six recommendations identified in the finding. As a result, we believe this recommendation can be closed.

OPM also notes that, although our system does not currently have a means for recording monetary findings/recoveries, we plan to include requirements to do so in the new audit management system that OPM is developing, subject to adequate funding.

For these reasons, we believe this finding and recommendation should be removed from the OIG's report.

Recommendation 13: We recommend that Audit Resolution and Compliance work with the Office of the Chief Financial Officer to develop a process to verify that questioned funds identified in final reports and agreed to be returned to the Federal Employee Health Benefits Program are fully returned to the Federal Employee Health Benefits Program.

Management Response: Concur

ARC will work with OCFO and other stakeholders to develop a process to verify that questioned funds identified in final reports and agreed to be returned to the Federal Employees Health Benefits Program are fully returned to the Program.

Communication Deficiencies in the Audit Resolution Process

Recommendation 14: We recommend that Internal Oversight and Compliance immediately track the three recommendations described in our finding and begin the resolution process to resolve and close the recommendations.

OIG Comment:
Internal Oversight and Compliance has provided supporting documentation to show that they are tracking the three recommendations identified in this finding. As a result, we consider this recommendation resolved, with closure dependent upon the receipt of documentation supporting that the resolution process has begun to resolve and close the recommendations.

Management Response: Concur

To date, one of the three recommendations has closed. IOC will continue to work with the program offices to resolve and close the remaining recommendations.

Recommendation 15: We recommend that Audit Resolution and Compliance and Internal Oversight and Compliance develop and implement audit resolution policies and procedures for carrier audits that contain recommendations for both OPM and health carriers.

Management Response: Concur

Although OPM believes that Program recommendations should not be included in carrier audits, OPM has documented its process regarding ARC coordination with IOC for carrier audits that include one or more program recommendation(s), as reflected in ARC's "Audit Resolution & Compliance Guidance for Resolving Audits" and IOC's updated Standard Operating Procedure. ARC and IOC's policies and procedures indicate that IOC will be notified by ARC if there are program recommendations included in carrier audits. ARC is responsible for working with the subject matter experts in HI to facilitate the responses to the Notice of Findings and Recommendations (NFR), the draft report, and the final audit report. The Associate Director of HI signs the NFR, draft, and final report responses. ARC provides the responses to IOC, who facilitates the resolution process.

The email exchanges on the Health Plan of Nevada audit (Report No. 2022-CRAG-0010) and the FLTCIP audit (Report No. 1G-LT-00-21-013) (previously provided to the OIG during the audit), and the email on the Disputed Claims Process audit recently provided to IOC for resolution, provide evidence that this process was implemented and is being followed. This process will be used to submit evidence for resolution of the remaining program recommendations in carrier audits.

We have separately provided OIG documentation to support the closure of this Recommendation. We believe this recommendation can close based on the evidence provided that ARC and IOC are coordinating as appropriate to close recommendations in carrier audits that contain recommendations for both OPM and health carriers.

Recommendation 16: We recommend that any new policies developed and implemented be communicated to the necessary stakeholders.

Management Response: Concur

We have separately provided OIG documentation to support the closure of this Recommendation. We believe this recommendation can close based on the email demonstrating that ARC has shared its procedures for resolving program recs in carrier audits.

OPM's Audit Follow-up Official's Authority is Being Circumvented

Recommendation 17: We recommend that Audit Resolution and Compliance document and implement internal controls to ensure that concurrence is reached with the appropriate audit resolution process stakeholders before resolving and closing any recommendations from carrier audits.

Management Response: Non-Concur

We request OIG re-word this recommendation to read as follows based on the audit findings that were related to program recommendations in carrier audits.

> We recommend that Audit Resolution and Compliance document and implement internal controls to ensure that concurrence is reached with the appropriate audit resolution process stakeholders before resolving and closing any program recommendations from carrier audits.

OPM notes that ARC had taken actions to engage IOC in the resolution of program recommendations in carrier audits prior to the beginning of OIG conducting this audit. The process is captured in the "Audit Resolution & Compliance Guidance for Resolving Audits." However, if the OIG changes the recommendation as noted above, OPM will concur with the recommendation.

OPM also believes this recommendation can be closed based on the actions that were taken in the Health Plan of Nevada audit and the FLTCIP audit, as they demonstrate that ARC is engaging IOC in the resolution process and not closing Program recommendations in carrier audits without IOC's consent. We have separately provided OIG documentation to support the closure of this Recommendation.

Recommendation 18: We recommend that Audit Resolution and Compliance follow its resolution procedures and guidance to ensure that Audit Resolution and Compliance is not closing recommendations from carrier audits directed to OPM's program offices.

Management Response: Concur

OPM acknowledges that two audits, issued in 2019 and 2020, included Program recommendations directed to OPM that were inadvertently closed by ARC. However, OPM notes that it is now following its resolution procedures and guidance, and that ARC escalates program recommendations to IOC for resolution. The process for resolving program recommendations in carrier audits is outlined on page 6 of our "How to Resolve a Final Audit" procedures document.

We believe this recommendation can close, as ARC provided responses to the five Program recommendations in the OIG's audit of *FEHB Program Termination Process at Health Plan of Nevada, Inc., Report No. 2022-CRAG-0010* as evidence that ARC works with IOC to facilitate resolution and will continue to engage IOC in the resolution of other Program recommendations in carrier audits.

We appreciate the opportunity to respond to this draft report. If you have any questions regarding our response, please contact **Deleted by OIG. Not relevant to the report**.

Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concerns everyone: Office of the Inspector General staff, agency employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to OPM programs and operations. You can report allegations to us in several ways:

By Internet: http://oig.opm.gov/contact/hotline

By Phone: Toll Free Number: (877) 499-7295

By Mail: Office of the Inspector General
               U.S. Office of Personnel Management
               1900 E Street, NW
               Room 6400
               Washington, DC 20415-1100