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 COMPLIANCE WITH THE PAYMENT INTEGRITY INFORMATION ACT OF 2019 FOR FISCAL YEAR 2024

Report Number 2025-IAG-003
May 23, 2025

EXECUTIVE SUMMARY

Audit of the U.S. Office of Personnel Management's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2024

Report No. 2025-IAG-003 **May 23, 2025**

Why Did We Conduct the Audit?

The objective of our audit was to determine whether the U.S. Office of Personnel Management (OPM) complied with the *Payment Integrity Information Act of 2019* (PIIA) for fiscal year (FY) 2024.

What Did We Audit?

The Office of the Inspector General completed a compliance audit of OPM's FY 2024 improper payments reporting, as defined in the U.S. Office of Management and Budget's guidance and corresponding reporting instructions. Our audit was conducted in Washington, D.C. from August 19, 2024, through January 23, 2025.

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Assistant Inspector General for Audits

What Did We Find?

- We determined that OPM is not in compliance with PIIA for FY 2024. As shown below, they did not meet 4 of the 10 PIIA requirements:

Payment Integrity Criteria	Compliance – Retirement Services	Compliance – Federal Employees Health Benefits Program
1a. Published payment integrity information.	√	√
1b. Posted the annual financial statement and accompanying materials.	√	√
2a. Conducted improper payment risk assessments.	√	√
2b. Concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.	√	√
3. Published improper payment and unknown payment estimates.	√	X
4. Published corrective action plans.	√	X
5a. Published an improper payment and unknown payment reduction target.	√	NA
5b. Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate.	√	X
5c. Developed a plan to meet reduction target.	√	NA
6. Reported an improper payment and unknown payment estimate of less than 10 percent.	√	X

Source: Prepared by OIG using criteria from Table 8. PIIA Compliance Reporting Table

√ **Compliant** X **Non-Compliant** **NA = Not Assessed**

- We could not determine if Retirement Services created reclamations for five retired annuitants that received duplicate check payments, or chargebacks, in the amount of $17,522.
- We were unable to verify data in Retirement Services' Centenarian Project master spreadsheet.
- There are two outstanding audit findings from prior years' audits. Details can be found in Appendix I.

ABBREVIATIONS

AFR	**Agency Financial Report**
FEHB	**Federal Employees Health Benefits**
FEHBP	**Federal Employees Health Benefits Program**
FY	**Fiscal Year**
IP	**Improper Payment**
IPERA	**Improper Payments Elimination and Recovery Act of 2010**
IPERIA	**Improper Payments Elimination and Recovery Improvement Act of 2012**
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**
PIIA	**Payment Integrity Information Act of 2019**
RMIC	**Risk Management and Internal Control**
RS	**Retirement Services**
SOP	**Standard Operating Procedures**
UP	**Unknown Payment**

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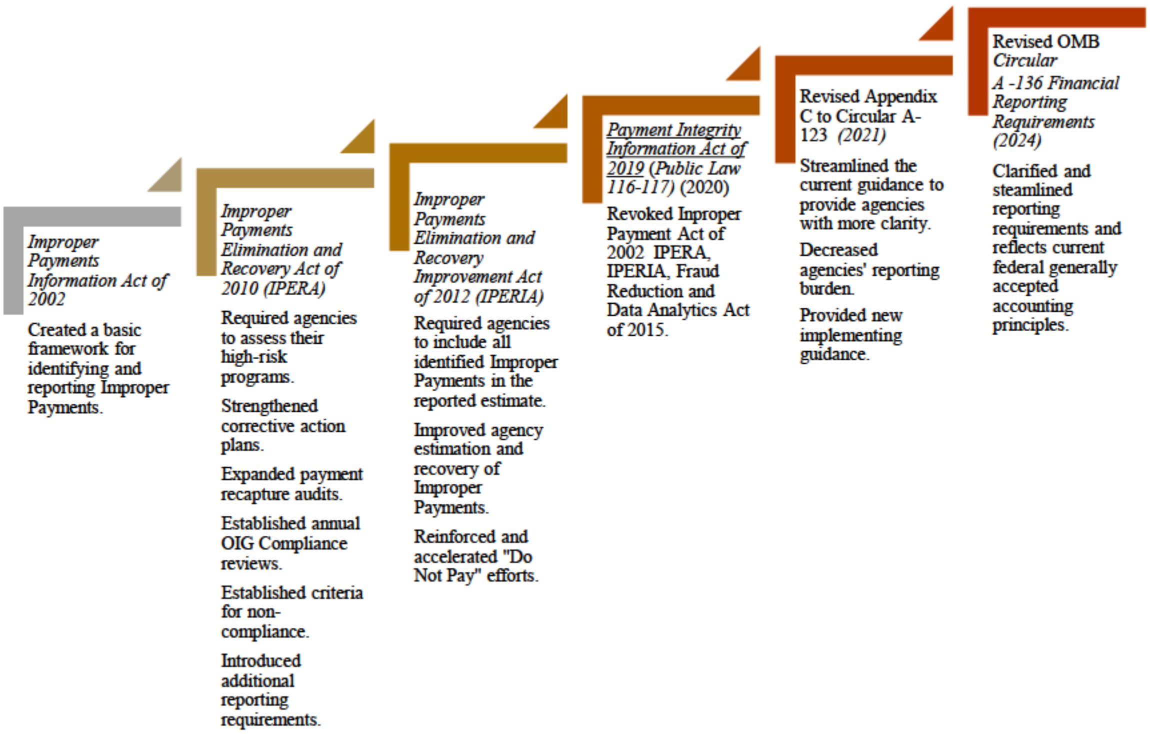
I. BACKGROUND

This final audit report details the findings, conclusions, and recommendations resulting from our compliance audit of the U.S. Office of Personnel Management's (OPM) compliance with the *Payment Integrity Information Act of 2019* (PIIA) for fiscal year (FY) 2024. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended (5 U.S.C. §§ 401-424).

Various improper payment laws, regulations, and guidance have been issued between 2002 and 2024 to strengthen executive branch agencies' improper payments reporting requirements. The chart below highlights some important distinctions in the requirements:



In addition, the U.S. Office of Management and Budget's (OMB) Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*, Memorandum M-21-19, dated March 5, 2021, states that an agency's program is deemed susceptible to significant improper payment[1] if the annual estimated improper payments and unknown payments[2] exceed:

(1) both 1.5 percent of program outlays and $10,000,000 of all program payments made during the fiscal year or

[1] An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
[2] An unknown payment could be proper or improper, but the agency is unable to discern whether the payment was proper or improper as a result of insufficient or lack of documentation.

(2) $100,000,000 regardless of the associated percentage of the program's total annual outlays.

Programs that are not likely to have an annual amount of improper payments plus an annual amount of unknown payments above the statutory threshold are considered Phase 1. If a program in Phase 1 determines that it is likely to annually make improper payments plus unknown payments above the statutory threshold, then the program will move into Phase 2 the following year.

Under OMB guidance, agencies must have performed the following with respect to improper payments reporting:

a. Published payment integrity information within the annual financial statement[3] and in the accompanying materials to the annual financial statement of the agency for the most recent FY in accordance with OMB guidance;

b. Posted the annual financial statement and accompanying materials required under OMB guidance on the agency website[4];

c. Conducted improper payment risk assessments for each program with annual outlays greater than $10,000,000 at least once in the last three years;

d. Concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold;

e. Published improper payment and unknown payment estimates[5] for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement;

f. Published corrective action plans for each program for which an estimate above the

[3] The most common accompanying materials to the annual financial statement are the payment integrity information published on paymentaccuracy.gov. This information is provided by the agency to OMB through the Annual Data Call and is then subsequently published on paymentaccuracy.gov.
[4] To achieve compliance, the agency must publish any applicable payment integrity information in its annual financial statement in accordance with payment integrity guidance provided in OMB Circular A-136. In addition, the agency must publish any applicable payment integrity information required in the accompanying materials to the annual financial statements in accordance with applicable guidance. The agency's payment integrity information that is published on paymentaccuracy.gov is the most common accompanying materials to the annual financial statement.
[5] Improper payment and unknown payment estimates are statistically valid estimates of the total improper payments made annually in a program plus a statistically valid estimate of the total unknown payments made annually in a program. The estimate is determined by taking the collective amount in improper payments and unknown payments divided by the amount in program outlays for a given program in a given fiscal year. It is based on dollars rather than number of occurrences. The improper payment estimate is reported on paymentaccuracy.gov as both a percentage and a dollar amount.

statutory threshold was published in the accompanying materials to the annual financial statement;

g. Published an improper payment and unknown payment reduction target[6] for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;

h. Demonstrated improvements to payment integrity or reached a tolerable[7] improper payment and unknown payment rate;

i. Developed a plan[8] to meet the improper payment and unknown payment reduction target; and

j. Reported an improper payment and unknown payment estimate of less than 10 percent for each program with an estimate that was published in the accompanying materials to the annual financial statement.

If an agency does not meet one or more of these reporting requirements, it is not compliant with PIIA.

In addition, OMB Circular A-123 Appendix C and Circular A-136, *Financial Reporting Requirements*, require agencies to:

- Categorize their improper payment estimates based on OMB's improper payment categories);

- Perform risk assessments on all programs with annual outlays greater than $10,000,000 to determine whether the program is likely to make improper payments plus unknown payments at least every three years;

- Ensure high-priority programs submit semi-annual or quarterly actions to reduce improper payments that are reported by programs in the Payment Integrity Scorecard;

- Identify the accountable official that oversees efforts to reduce improper payments for high priority programs;

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[6] A reduction target is the estimated improper payment and unknown payment level the program predicts they will achieve in the following fiscal year. A reduction target may be lower, constant, or higher than the current year improper payment and unknown payment estimates.
[7] The tolerable rate for a program is determined by agency senior management and often includes improper payments which are unavoidable and beyond the agency's ability to reduce as well as improper payments and unknown payments which are cost prohibitive or sometimes mission prohibitive for the agency to prevent.
[8] The OIG should consider whether the program has a plan to meet the improper payment and unknown payment reduction targets they have established for the following fiscal year.

- Recover improper payments by conducting recovery audits on programs that expend $1 million or more annually if conducting such audits is cost-effective;

- Distribute funds recovered through payment recapture audits for authorized purposes;

- Establish internal controls to reduce improper payment rates; and

- Use the Do Not Pay (DNP) Initiative[9] to verify eligibility for federal payments to help reduce and eliminate payment errors before they occur.

Each agency's Inspector General is required to review relevant improper payment and unknown payment reporting, including the payment integrity section of the agency's annual fiscal year financial statements and any accompanying material, and records pertaining to the programs within an agency to assess compliance with PIIA and OMB guidance. In addition, the OIG is required to determine if the agency's corrective action plans are robust and focused on the appropriate root causes of improper payments, effectively implemented, and prioritized within the agency, to allow it to meet reduction targets. The Inspector General is required to complete its review and determination and publish its final report 180 days after the agency published its Annual Financial Statement and the Accompanying Materials to the Annual Financial Statement. If the 180th day falls on a weekend, the review, determination, and report should be completed by the next business day.

RISK MANAGEMENT AND INTERNAL CONTROL

OPM's Risk Management and Internal Control (RMIC) office is responsible for ensuring that OPM includes the payment integrity section in the Agency Financial Report (AFR) and on the paymentaccuracy.gov website. RMIC also works to ensure that OPM's program offices comply with OMB's Data Call instructions. OMB's Data Call requires agencies to answer a logically based questionnaire. The agencies' responses determine which data will be published on the paymentaccuracy.gov website.

As part of RMIC's improper payment reporting responsibilities, the office must also conduct risk assessments every three years for programs considered to be at a lower risk for improper payments. Based on the guidance from OMB, risk assessments are used to determine whether programs are in Phase 1 or Phase 2. During FY 2024, risk assessments for Purchase Cards, Travel Cards, Payroll Payments, and Vendor Payments were completed by RMIC as part of the three-year risk assessment cycle.

[9] The "Do Not Pay Initiative" is used to help agencies determine eligibility to confirm that the right recipient obtains the right payment for the right reason at the right time.

OMB Circular A-123, Appendix C, Memorandum M-21-19, *Requirements for Payment Integrity Improvement*, Memorandum M-21-19, dated March 5, 2021, states that an agency's program is required to have a risk assessment if it has annual outlays over $10,000,000 for all program or activity payments reported. As a result, the program will fall into one of two possible classifications: Phase 1 or Phase 2. Two of OPM's earned benefit programs, Retirement Services and the Federal Employees Health Benefits Program (FEHBP), met OMB's statutory threshold.

RETIREMENT SERVICES PROGRAM

OPM's Retirement Services issues annuity payments on a recurring monthly basis to eligible individuals. Retirement Services' improper payments rate is calculated by dividing the underpayments (determined by statistical sampling) plus overpayments (the actual value) by total outlays. To determine the underpayment value, Retirement Services' Quality Assurance office uses a statistical analysis based on an entire year's worth of audits of retirement and survivor cases for the Federal Employees Retirement System and the Civil Service Retirement System completed by a statistician and provided to the Office of the Chief Financial Officer's (OCFO) Trust Fund office. To determine overpayments, Retirement Services calculates the total actual value of verified improper overpayments made to annuitants. The verification process consists of a review by Retirement Services specialists to determine if the payments made to annuitants or their survivors were allowable.

During FY 2024, Retirement Services remained in Phase 2 and was considered a high-risk program. As a result, Retirement Services used its Sampling and Estimation Methodology Plan, developed in FY 2021, to report on estimated improper payments for FY 2024. Retirement Services established a tolerable rate, which included a calculation of improper payments plus actual unknown payments, and the program reported a rate of 0.33 percent on paymentaccuracy.gov.

In addition, OPM's FY 2024 Payment Integrity Scorecard reported accomplishments in reducing overpayments for Retirement Services, which included activities to:

- Review annuitants' accounts to identify accounts where an annuity check was sent to an annuitant or individual and the check is cashed, but the annuitant or individual alleges that they did not cash the check. As a result, a replacement annuity check is sent to the annuitant or individual and the replacement check is also cashed, also known as a chargeback. Once Retirement Services identifies a chargeback, they work to put the account into collections to reclaim any overpayment(s).

- Review annuitants' accounts to verify their living status for continued annuity payments. Retirement Services' Fraud Branch is responsible for completing the Centenarian Project and utilizes a master spreadsheet to review annuitants' accounts over the age of 100 to verify their living status. This project began in October 2020, with Retirement Services sending a mailer to annuitants to congratulate them on reaching the age of 100. A significant number of the mailers sent by Retirement Services were returned to sender [Retirement Services] from annuitants living in Panama. As a result, Retirement Services began reviewing annuitants' accounts to verify proof of life when a return to sender response is received.

If Retirement Services' review indicates that the annuitant is deceased, the status of the case is listed as dropped in the mainframe. If there is no report of death, a living status letter is sent out by the Fraud Branch to verify the individual is still alive. Annuitants are given 30 calendar days to respond with the required documentation, such as valid identification. If no response is received after 30 calendar days, a second notice is issued. If documentation is received the annuitant's account remains active. If no response is received from the living status letter or there is no mailing address, the account is suspended until the annuitant contacts the Franch Branch.

In an effort to recapture identified improper payments from annuitants, Retirement Services has developed the following three types of recovery methods:

- Off-roll debts are collected when the debtor is not on the annuity roll or their entitlement is insufficient to recover the debt on a reasonable recovery schedule;

- On-roll debts are collected when OPM withholds a portion of the debtor's monthly benefits until their entire debt is collected; and

- Reclamations are recovery actions to recoup improper payments from an annuitant's financial institution. OPM utilizes the U.S. Department of Treasury's reclamation process.

The recaptured amounts are tracked by the OCFO's Trust Fund office using the *Treasury Report on Receivables and Debt Collection Activities*.

<u>FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM</u>

OPM's Healthcare and Insurance Audit Resolution and Compliance office is responsible for calculating the improper payments rate for the FEHBP. Prior to FY 2015, the OIG provided Healthcare and Insurance with a spreadsheet listing all audit report findings and determinations, and which FEHBP health carriers (carriers) were impacted. Since FY 2016, Healthcare and Insurance has used its own spreadsheet to consolidate all the data needed to calculate the improper payments.

Healthcare and Insurance retrieves this information from OIG's published audit and investigative data and states that it calculates improper payments using the following formula:

$$\frac{\text{Audit Determinations}^{10} \text{ from OIG questioned costs + Fraud Investigation Recoveries}}{\text{Outlays (Experience-Rated Carriers}^{11} \text{ + Community-Rated Carriers Premium Payments}^{12}\text{)}}$$

The OIG's Office of Audits uses a risk matrix to determine which FEHBP carriers will be audited in any given year based on a variety of criteria. However, most carriers go unaudited each year, thereby excluding them from that year's calculation of improper payments related to audits. For the FEHBP carriers audited by the OIG, the overpayments or underpayments identified in final audit report recommendations are the starting point for determining the improper payments calculation. Healthcare and Insurance's Audit Resolution and Compliance office reviews the OIG's recommendations and makes determinations on whether to disallow and/or allow these amounts. The questioned costs that are disallowed are established as receivables to be collected from FEHBP carriers and are included in the improper payment calculation. For example, if the OIG questions $50,000 in health benefit payments and the Audit Resolution and Compliance office determines that $30,000 is allowable and $20,000 is disallowed, the amount of the receivable is $20,000 and that amount is included in the improper payments reporting.

For investigative recoveries, when the FEHBP trust fund receives an award as the result of a civil settlement or criminal judgement, the OIG provides OPM's offices of Audit Resolution and Compliance and the Chief Financial Officer with a memorandum detailing the amount of the FEHBP trust fund award and the allocation to specific FEHBP carriers. The U.S. Department of the Treasury's Report of Receivables captures the FEHBP's overpayments, as well as the amount recaptured or recovered from FEHBP carriers, which the OCFO provides to Healthcare and Insurance. As a result, the recaptured/recovered amount (which is often less than the full amount of the improper payment) is used in reporting improper payments.

FY 2021 was the first year that the OIG included improper payment amounts on the investigative recoveries spreadsheet that is provided to Healthcare and Insurance. As a result, Healthcare and Insurance informed the OIG that the improper payments listed on the OIG's spreadsheets would not be reported in the AFR and only confirmed fraud would be reported, as defined by OMB guidance. Confirmed fraud is a subcategory of improper payments and does not constitute the full amount that is recorded.

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[10] Total receivable amount established after Healthcare and Insurance's determination to disallow overpayments and allow underpayments questioned in OIG experience-rated and community-rated audits of FEHBP carriers.
[11] Experience-rated carriers offer mostly fee-for-service plans (the largest being the Blue Cross and Blue Shield Service Benefit Plan), but they also offer experience-rated Health Management Organizations.
[12] Community-rated carriers offer comprehensive medical plans, commonly referred to as health maintenance organizations.

In FY 2022, RMIC conducted an improper payment risk assessment and determined that the FEHBP is susceptible to significant improper payments and moved from Phase 1 to Phase 2, which means, per OMB Circular A-123, Appendix C, Memorandum M-21-19, that the FEHBP was required to report an improper payment and unknown payment estimate and submit a Sampling and Estimation Methodology Plan to OMB in FY 2023.

During our FY 2017 improper payments reporting audit[13], we identified potential issues with the methodologies used by OPM to develop their improper payments rates. As a result, we performed a separate performance audit that focused on analyzing the methodologies used by the Federal Employees Health Benefits and Retirement Services programs. The report on the *Audit of the U.S. Office of Personnel Management's Federal Employees Health Benefits Program and Retirement Services Improper Payments Rate Methodologies*, Report Number 4A-RS-00-18-035, was issued on April 2, 2020, and included 12 recommendations, of which three are resolved and three remain open.

For FY 2024, OPM did not report FEHBP improper payment and unknown payment estimates. OPM's reported improper payments for Retirement Services, including overpayments, underpayments and unknown payments, are summarized in the Table, FY 2024 Improper Payments Summary, below.

FY 2024 Improper Payments Summary[14]						
Total Outlays ($ millions)	Improper Payment Amount ($ millions)	Overpayments ($ millions)	Underpayments ($ millions)	Unknown Payments ($ millions)	2024 Tolerable Rate	2024 Improper Payments Percent
OPM Program: Retirement Services						
$106,883	$337.45	$243.70	$93.75	$11.94	0.33[15]	0.32

PREVIOUS OFFICE OF THE INSPECTOR GENERAL REPORTS

During the audit of OPM's FY 2023 Improper Payments Reporting, Report No. 2024-IAG-010, we determined that:

[13] *Audit of the U.S. Office of Personnel Management's Fiscal Year 2017 Improper Payments Reporting,* Report Number 4A-CF-00-18-012, dated May 10, 2018.
[14] Data collected from paymentaccuracy.gov, 2024 dataset, "All Programs Results" tab.
[15] The tolerable rate includes improper payment (0.32 percent) and unknown payment (0.01 percent) rates.

- OPM’s reporting of improper payments was not in compliance with PIIA. OPM did not meet 4 out of 10 PIIA requirements.

- The Federal Employees Group Life Insurance and Federal Employees Health Benefits risk assessments were not reviewed.

- Retirement Services reported incorrect data on the FY 2023 third and fourth quarter Payment Integrity Scorecards.

- There was one outstanding audit finding from prior years’ audits.

Based on testing performed during this year’s audit, we closed three prior years’ recommendations and one recommendation remains open. The status of the open recommendation is outlined in Appendix I.

II. OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

The objective of our audit was to determine whether OPM complied with PIIA for FY 2024. The recommendations included in this final report address the objective.

SCOPE AND METHODOLOGY

We conducted this compliance 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 objective.

We performed our audit at OPM's headquarters located in Washington, D.C. from August 19, 2024, through January 23, 2025. The scope of our audit covered:

- OPM's payment integrity information reported in its FY 2024 AFR and https://paymentaccuracy.gov, to determine whether OPM was in compliance with PIIA.
- OPM's risk assessment methodology, improper payment rate estimates, sampling and estimation plan(s), corrective action plan(s), and efforts to prevent and reduce improper payments.

To accomplish the audit objective noted above, we:

- Interviewed program representatives from the OCFO, Healthcare and Insurance, and Retirement Services;
- Reviewed the payment integrity section of OPM's FY 2024 financial statements and any accompanying material to assess OPM's compliance with PIIA and related OMB guidance;
- Reviewed information on https://paymentaccuracy.gov/ through the annual OMB payment integrity data call;
- Reviewed applicable Federal laws, OMB guidance, and OPM's policies and procedures;
- Analyzed the source data to ensure accuracy and completeness of payment integrity information in the financial statement and accompanying materials;
- Concluded whether OPM met each of the 10 PIIA compliance requirements for each of the reported programs;

- Analyzed OPM's corrective actions to address the open audit recommendations identified in the FY 2017 through FY 2023 Improper Payments Reporting/PIIA final audit reports;

- Determined whether an issue is significant in the context of OPM and the OIG's objective for its review and should have a substantial impact on the payment integrity information in OPM's financial statements and or accompanying material;

- Reviewed the oversight and/or financial controls used by Retirement Services and Healthcare and Insurance to identify and prevent improper and unknown payments. Evaluated and took into account whether the corrective action plans will maintain the tolerable improper payment and unknown payment rate for the Retirement Services and Healthcare and Insurance; and

- Evaluated whether OPM published payment integrity information in the financial statements or accompanying materials for FY 2024. In determining compliance, we evaluated OPM's:

  a) Accuracy, completeness and timeliness of improper payment risk assessments and whether appropriate conclusions were reached in determining if a program is likely to make improper payments and/or unknown payments above or below statutory thresholds.

  b) Retirement Services' sampling and estimation methodology plans for adequacy, accuracy of improper payment and unknown payment estimates (traced improper payment and unknown payment estimates to their supporting documentation), and whether the sampling and estimation plans used were appropriate given program characteristics.

  c) Corrective action plans to determine whether they are adequate and focused on the true causes of improper payments and unknown payments, adequately addressing the causes, effectively implemented, prioritized within OPM, and reducing improper payments.

  d) Published reduction targets and whether they were appropriately aggressive and realistic given program characteristics.

  e) Demonstrated improvement to payment integrity and whether a tolerable improper payment and unknown payment rate was reached for Retirement Services and Healthcare and Insurance.

f) Plan to meet improper payment and unknown payment reduction targets, focused on the actions the programs will take during the following year to meet the improper payment and unknown payment reduction targets they have established for the following FY.

g) Published improper payment and unknown payment estimate, which should be less than 10 percent to be in compliance with PIIA. If the improper payment and unknown payment estimate was greater than or equal to 10 percent, we took into consideration whether Retirement Services and Healthcare and Insurance demonstrated that they achieved a tolerable improper payment and unknown payment rate when evaluating this criterion and when providing recommendations to achieve compliance.

h) AFR to ensure Retirement Services and Healthcare and Insurance provided a summary of their payment integrity activities and results. The summary should not conflict with data presented on paymentaccuracy.gov.

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

Our audit included such tests and analysis of OPM's improper payments reporting process, including documented policies and procedures, numerical data and narratives reported in the AFR, accompanying sites such as https://paymentaccuracy.gov/resources/ and OMB Max Supplemental, and other applicable information, as we considered necessary under the circumstances.

Due to the OMB requirement for agency Inspectors General to issue a report within 180 days after the publication date of the Annual Financial Statement of the Agency and the Accompanying Materials to the Annual Financial Statement of the Agency, we assessed and cited prior OIG work, as necessary, in evaluating the accuracy and completeness of OPM's improper payments reporting. We made determinations as to the level of work required based on the related reporting guidance, internal controls over improper payments, and the overall body of prior work in this area.

We selected the following samples from our audit universes:

Audit Area	Audit Universe	Total Sample Size	Sample Selection Methodology
Quality Assurance Reviews	840[16]	12	Using Microsoft Excel, we judgmentally selected 12 claims from October 2023 through April 2024, representing the highest "Net Regular Pay" amount for FY 2024.
Do Not Pay	40,484	12	Using Microsoft Excel, from a judgmentally selected sample of 30 Do Not Pay claims[17], we judgmentally selected a sub-set sample size, to ensure that our review would be completed given the statutory deadline, of the 2 highest dollar claims for every month from October 2023 through March 2024.
Chargebacks	124	5	Using Microsoft Excel, we judgmentally selected the five highest dollar amount annuitant cases of chargeback overpayments from January 2024 through March 2024.
Centenarian Project	2,541	10	Using Microsoft Excel, we judgmentally selected the five highest dollar amounts of centenarian cases dropped for death from January 2024 through September 2024 and five centenarian cases suspended from January 2024 through September 2024.

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

In conducting our audit, we relied to varying degrees on computer-generated data. To assess the reliability of computer-processed data, we obtained annuitant payments and identifying information from OPM's Annuity Roll Processing System. We did not evaluate the effectiveness of the general application controls over computer-processed performance data.

[16] During the period from October 1, 2023, through April 1, 2024, Retirement Services performed quality assurance reviews of 840 Federal Employees Retirement System and Civil Service Retirement System retirement and survivor cases. Retirement Services' methodology for the 840 quality assurance reviews performed consisted of selecting 30 annuitants each from four categories, totaling 120 cases per month, for seven months.

[17] We judgmentally selected a sample of 30 Do Not Pay claims consisting of the 3 highest dollar amounts for every month of newly reported deaths plus 2 highest regular Do Not Pay claims for every month from October 2023 through March 2024, for a total of 5 claims for each of the 6 months.

III. AUDIT FINDINGS AND RECOMMENDATIONS

The sections below detail the results of our audit of OPM's FY 2024 improper payments reporting for compliance with PIIA.

A. Payment Integrity Information Act of 2019 Reporting Requirements

Based on our review of OPM's FY 2024 AFR, the paymentaccuracy.gov website, and accompanying materials to the annual financial statement provided by OPM, we determined that OPM did not comply with 4 of the 10 PIIA reporting requirements:

OPM is not compliant with PIIA.

Criteria for Compliance	Retirement Services	Federal Employees Health Benefits Program
1a.) Published payment integrity information.	Compliant	Compliant
1b.) Posted the annual financial statement and accompany materials.	Compliant	Compliant
2a.) Conducted improper payment risk assessments.	Compliant	Compliant
2b.) Concluded whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.	Compliant	Compliant
3.) Published improper and unknown payment estimates	Compliant	Non-Compliant
4.) Published corrective action plans	Compliant	Non-Compliant
5a.) Published an improper and unknown payment reduction target.	Compliant	*Not Assessed
5b.) Demonstrated improvements to payment integrity or reached a tolerable improper payment and unknown payment rate.	Compliant	Non-Compliant
5c.) Developed a plan to meet reduction target.	Compliant	*Not Assessed
6.) Reported an improper payment and unknown payment estimate of less than 10 percent.	Compliant	Non-Compliant

*Not Assessed: We were unable to assess these criteria because OPM's non-compliance with criteria number three prevented us from assessing and reporting on the PIIA reporting requirement.

1. Federal Employees Health Benefits Program

Healthcare and Insurance, which is in Phase 2, did not report FEHBP improper payment and unknown payment estimates in FY 2024. In addition, the FEHBP did not publish corrective action plans or demonstrate improvements to payment integrity. As a result, OPM's FEHBP is not in compliance with the following four PIIA requirements for FY 2024:

- "Published [improper payment] and [unknown payment] estimates for programs susceptible to significant [improper payments] and [unknown payments] in the accompanying materials to the annual financial statement[.]"

- "Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement[.]"[18]

- "Demonstrated improvements to payment integrity or reached a tolerable [improper payment] and [unknown payment] rate[.]"[19]

- "Reported an [improper payment] and [unknown payment] estimate of less than 10 [percent] for each program for which an estimate was published in the accompanying materials to the annual financial statement[.]"[20]

We previously reported that Healthcare and Insurance did not report FEHBP improper payment estimates in FY 2023,[21] which resulted in OPM's FEHBP being non-compliant with the same four PIIA requirements.

Healthcare and Insurance does not agree that the FEHBP is not compliant with the four PIIA requirements identified above. Healthcare and Insurance stated that because it has not published an improper payment estimate above the statutory threshold for the FEHBP experience-rated activity, there is no requirement for a corrective action plan or to publish a reduction target. In addition, Healthcare and Insurance believes it has satisfied requirements in demonstrating numerous improvements in payment integrity in 2024 and updated and submitted its Sampling and Estimation Methodology Plan for Experience Rated Carriers to OMB in June 2024. Furthermore, Healthcare and Insurance stated that because it has not published an improper payment estimate in the materials accompanying the annual financial statement for the FEHBP experience-rated carriers' activity, the other PIIA requirements are not triggered and OPM cannot be out of compliance with those requirements, including the requirement to publish an estimate of less than 10 percent.

[18] PIIA requirement 4.
[19] PIIA requirement 5b.
[20] PIIA requirement 6.
[21] *Audit of the U.S. Office of Personnel Management's Compliance with the Payment Integrity Information Act of 2019*, Report Number 2024-IAG-010, issued May 29, 2024.

Healthcare and Insurance continues to reaffirm that it is on track to publish an improper payment estimate in October 2025.

We disagree with Healthcare and Insurance's position that because they have yet to publish an improper payment estimate for the FEHBP, the other PIIA requirements are not triggered and OPM cannot be non-compliant with those requirements. PIIA requires federal agencies with programs identified as being susceptible to significant improper payments to have estimated and reported improper payments in the AFR. Since Healthcare and Insurance did not report an improper payment estimate; publish a corrective action plan for the FEHBP addressing the root causes for the improper payments; or report an improper payment and unknown payment estimate of less than 10 percent for the FEHBP in the accompanying materials to the annual financial statement, Healthcare and Insurance is non-compliant with these three requirements. Moreover, OMB Memorandum M-21-19 does not state that this criteria would not be applicable if an improper payment estimate was not published.

In addition, we acknowledge that Healthcare and Insurance provided its *Improper Payments Sampling and Estimation Methodology Plan for the Experienced Rated Carriers for the FEHB [Federal Employees Health Benefits] Program*, Carrier Letter 2024-15 Guidance on Audited Financial Statements for Federal Fiscal Year 2024, and the 2024 *FEHBP Financial Reporting and Audit Guide* to show that "OPM remains on track for reporting the improper and unknown payment estimate in FY 2025." We further acknowledge that Healthcare and Insurance continues to work on obtaining the data needed to publish and report improper payment estimates for the FEHBP's experience-rated carriers, including the time needed by health carriers to update their contracts with their auditors, collect, and audit their data. However, Healthcare and Insurance has provided limited to no additional data to show that they are working towards meeting the other requirements questioned in this finding.

In addition, we were unable to assess the following two PIIA requirements because HI did not publish an improper payment estimate:

- "Published an [improper payment] and [unknown payment] reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement[.]"

- "Developed a plan to meet the [improper payment] and [unknown payment] reduction target[.]"

OMB Circular A-123 Appendix C, Memorandum M-21-19, *Requirements for Payment Integrity Improvement*, states that "All programs with annual outlays over $10,000,000 will fall into one of two possible classifications: Phase 1 or Phase 2. Programs that are <u>not</u> likely [to] have an annual amount of improper payments … plus an annual unknown payment … above the statutory threshold (which is either (1) both 1.5 percent of program outlays and $10,000,000 of all program payments made during the FY or (2) $100,000,000) are referred to as being in 'Phase 1'. If a program in Phase 1 determines that it is likely to annually make IPs [improper payments] plus UPs [unknown payments] above the statutory threshold then the program will move into 'Phase 2' the following year. Once in Phase 2, a program will have additional requirements such as reporting an annual IP and UP estimate."

Per OMB Memorandum M-21-19, when the OIG determines that a program is non-compliant for the fiscal year, the agency must complete the appropriate action in the OMB Annual Data Call. "This information will be published on paymentaccuracy.gov and serve as the plan that agencies are required to submit to the appropriate authorizing and appropriations committees of Congress including:"

- "measurable milestones to be accomplished in order to achieve compliance for each program;"
- "the designation of a senior agency official who shall be accountable for the progress of the executive agency in coming into compliance for each program; and"
- "the establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the senior agency official in leading the efforts of the agency to come into compliance for each program."

OPM's Executive Summary section, as reported in paymentaccuracy.gov, included the measurable milestones Healthcare and Insurance has established to become compliant with OMB Memorandum M-21-19. Healthcare and Insurance stated that OPM officials continue to collaborate on the efforts and resources required to bring the agency into compliance with PIIA and that OPM plans to develop goals for program offices and appropriate staff to help ensure OPM reports improper payments estimates for all required programs in FY 2025. However, they did not provide support for the establishment of accountability mechanism(s) for the FEHBP to ensure that OPM reports improper payment estimates in FY 2025.

Recommendation 1 (Rolled Forward from FY 2023)

We recommend that OPM issue an improper payment estimate for the Federal Employees Health Benefits Program that will allow them to be in compliance with the four PIIA requirements for future reporting years.

OPM's Response:

OPM agrees that it should report an improper payment estimate for the FEHB Experience-Rated Carriers as quickly as possible and acknowledges that it did not publish improper payment and unknown payment estimates for the FEHB experience-rated activity for FY 2024. "OPM has a Sampling and Estimation Methodology Plan that includes a methodology to report improper payment estimates for the FEHB [Experienced-Rated Carriers]." Progress continues and OPM remains on track to report improper payment and unknown payment estimates for FY 2025.

However, OPM does not concur that it does not comply with PIIA requirements 4, 5(b) and 6 identified by the OIG, and states that two of those requirements are premised upon the occurrence of preconditions stated within the requirements. "Since none of those preconditions have occurred, OPM cannot be non-compliant with requirements that have not yet arisen. Additionally, OPM disagrees that it has not met one of the alternative means of compliance."

OIG Comment:

As discussed in the finding, we maintain our position that OPM is non-compliant with the four requirements. However, since Healthcare and Insurance has provided evidence to show that "OPM remains on track for reporting the improper and unknown payment estimate in FY 2025," we consider this recommendation **resolved**, with closure dependent upon the receipt of documentation supporting that the improper and unknown payment estimates were reported in FY 2025 in accordance with PII reporting requirements. We will make a determination on the status of this recommendation during our FY 2025 audit of OPM's compliance with PIIA.

B. Areas of Improvement

1. No Documentation Provided for Reclamation of Chargeback Overpayments $17,522

We judgmentally selected five annuitant accounts for chargebacks totaling $21,311, out of 124 accounts, totaling $170,085, to determine if Retirement Services conducted a review of the accounts identified for chargebacks and to verify if the accounts were put into collection to reclaim the overpayment(s). From the information provided, we could not determine if Retirement Services created a chargeback for the duplicate check payments or that the accounts were put into collection to reclaim the overpayments for four of the five accounts. In addition, Retirement Services did not provide the status of the four accounts.

Retirement Services stated that when a chargeback is created, an analysis of the signatures on the checks is conducted by the Fraud Branch to verify that the individual signatures match. If the signatures do not match, the duplicate payment is written off. If the signatures match, Retirement Services initiates collection for the overpayment based on the signature analysis. Retirement Services provided copies of the original and replacement checks for the five accounts selected. However, the evidence provided during our audit for four of the five accounts did not support that the accounts were reviewed or put into collection. Retirement Services stated that due to unforeseen retirements in the organization, the task of providing the requested supporting documentation for the four accounts had not been reassigned.

After we issued our draft report, Retirement Services provided additional evidence for the four accounts:

- Retirement Services stated that three of the five cases sampled, totaling $14,456, were proven to have been fraudulently transacted and that "the Department of the Treasury handles the recovery of these fraudulent payments. The OPM Fraud Team does not monitor the collection activities of the Department of the Treasury" and therefore considers the reviews completed. In addition, the three cases were not reported to the OIG, per the *Office of Inspector General Guidelines for Retirement Services Thresholds for Referral of Suspected Fraud*.

  Retirement Services stated that as of December 5, 2023, "The Department of Treasury has implemented a new process for this workload, termed Payment Over Cancellation. The Benefit Paying Agencies are no longer responsible for pursuing the payment; the liability has been passed [on] to the banks. That said, this is no longer a workload for the Fraud Branch." However, Retirement Services did not provide sufficient evidence, including guidance to support this process change. In addition, Retirement Services did not provide evidence to show that the cases were fraudulent.

- The fourth check totaling $3,065 "was cashed by the benefit recipient's nursing facility after the date of death. [Retirement Services is] following up with the Department of the Treasury to determine if they or OPM should review this payment." However, Retirement Services is still waiting on collections confirmation from the Department of the Treasury.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government,* Principle 10 – Design Control Activities, section 10.03, states that the internal control and all transactions and other significant events be clearly documented "in a manner that allows the documentation to 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. Documentation and records should be properly managed and maintained."

As a result of Retirement Services not conducting the reclamation for the overpayment made on the four accounts, we were unable to determine if the improper payment amount of $17,522 was recovered. In addition, we could not determine the accuracy of the accomplishments in reducing overpayments as reported in OPM's FY 2024 Quarter 2 Payment Integrity Scorecard data on paymentaccuracy.gov.

Recommendation 2

We recommend that Retirement Services provide documentation to support that the four annuitant chargeback accounts were reviewed and placed into collection to reclaim the $17,522 in overpayments or written off, including evidence of the Fraud Branch's review and that a reclamation was created.

OPM's Response:

"OPM concurs with the recommendation and acknowledges the concerns raised regarding the chargeback process."

Recommendation 3

We recommend that Retirement Services develop internal controls to monitor all chargeback activity, retain all documentation, and ensure collection to reclaim all overpayments.

OPM's Response:

"OPM concurs with this recommendation. [Retirement Services] currently has robust internal controls in place, including standard operating procedures (SOPs) and documentation retention policies, to ensure effective oversight of chargeback activity. Our SOPs outline a clear and systematic approach to identifying, tracking, and recovering overpayments of this nature. While we believe our current controls align with OIG's recommendations, we remain committed to continuously improving our processes."

2. Retirement Services' Centenarian Project Activity Data is Unverifiable

Retirement Services reported on its FY 2024 Quarter 2 Payment Integrity Scorecard, on paymentaccuracy.gov, that 97 annuitant accounts over the age of 100, from its Centenarian Project, were reviewed to verify the annuitants' living status. Of those 97 accounts reviewed, 45 annuitant accounts were identified for a death drop, preventing $83,513 in further improper payments.

Retirement Services' Fraud Branch provided the OIG's Internal Audits Group with its 2020 Master Centenarian Project master spreadsheet to review. We were unable to verify the following data from the Centenarian Project master spreadsheet:

- Total universe of 10,717 annuitants over the age of 100 in the United States,

- 5,775 cases of annuitants in the United States marked as completed by the Fraud Branch, and

- The remaining 4,942 annuitants' cases identified by Retirement Services that had not been verified for living status as of November 12, 2024.

Retirement Services stated that the FY 2020 Centenarian master spreadsheet is a work product that is continuously reviewed and is included in monthly review efforts. However, the Centenarian Project is an overtime project that is not part of their normal workload and is not mandatory. By not making the Centenarian Project a priority, Retirement Services risks not identifying and recovering potential improper payments timely.

Retirement Services also stated that there are control measures in place to ensure the Centenarian data is accurate and reliable, including a first and second-line supervisory review of the documentation used to support the data on the Payment Integrity Scorecard. Even though Retirement Services stated that control measures are in place:

- We were unable to verify the accuracy and reliability of data in the Centenarian Project master spreadsheet.

- There was no evidence that the master spreadsheet had been reviewed.

- Retirement Services staff informed us that some of the totals reported on the spreadsheet may not be accurate and that they would need to manually recalculate the totals and provide us with the information.

As of January 23, 2025, Retirement Services had not provided an updated Centenarian Project master spreadsheet, recalculated totals, or support to show which controls are in place.

As a result of not being able to verify Retirement Services' Centenarian Project data, we were unable to test the 10 cases that we judgmentally selected from the Centenarian Project to determine if the annuitant accounts were suspended or dropped for death, as reported on paymentaccuracy.gov for the FY 2024 Quarter 2 Payment Integrity Scorecard.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government,* Principle 10 – Design Control Activities, section 10.03, states that "management designs control activities so that all transactions are completely and accurately recorded." In addition, the internal control and all transactions and other significant events should be clearly documented in a manner that allows the documentation to 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. Documentation and records should be properly managed and maintained. Principle 13 - Use Quality Information, section 13.04 states that "Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability."

Recommendation 4

We recommend that Retirement Services implement controls to ensure that documentation is available and accurate to support the data reported for the Centenarian Project.

OPM's Response:

"OPM does not concur with this recommendation. The Centenarian Project information provided to the OIG was a working document. Our working documents are incomplete or draft versions of our spreadsheets and are not proffered as a complete, finalized report. Although [Retirement Services] believes that our oversight and controls are robust, we have strengthened our controls to ensure that future shared reports are comprehensive and documentation is available to support the data related to this project.

In addition, per the OIG recommendations, [Retirement Services] is committed to further improving our Centenarian Project processes. We will continually review documentation procedures and update SOPs with any future enhancements."

OIG Comment:

While we acknowledged in our finding that the Centenarian Project master spreadsheet is a work product that is continuously reviewed, that does not invalidate our position that Retirement Services was unable to provide accurate, reliable and verifiable data. Retirement Services response to our draft report states that while they do not concur with our recommendation, the office has strengthened their controls to ensure that future shared reports are comprehensive, and documentation is available to support the data related to this project. However, Retirement Services did not provide documentation to support that they have strengthened their controls.

Recommendation 5

We recommend that Retirement Services develop a plan, including assigning sufficient resources, to update and complete the Centenarian master spreadsheet to identify, stop, and recover potential improper payments.

OPM's Response:

"OPM concurs with this recommendation. [Retirement Services] acknowledges the importance of ensuring effective oversight and controls measures to mitigate the risk of improper payments. We are committed to strengthening our processes despite current constraints on hiring additional personnel. Recognizing our limitations in expanding the workforce, we plan to use existing resources when available, to address the OIG's recommendations."

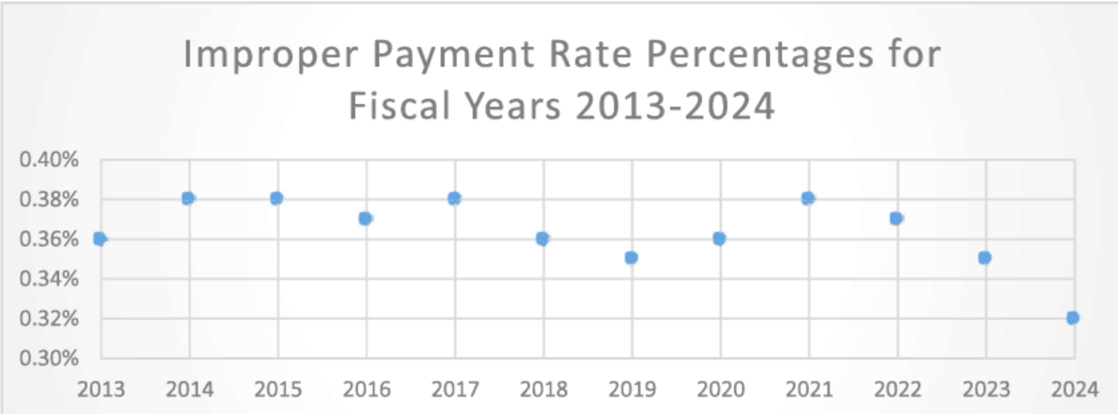
C. Outstanding Audit Finding

During our audit, we identified the following finding from prior years' audits which remains open:

1. Improper Payments Rate

In FY 2017, our office reported that while Retirement Services met its improper payments reduction targets, the overall intent of the Improper Payments Information Act of 2002, as amended by IPERA, IPERIA, and PIIA, which is to reduce improper payments, had not been met. Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs, reiterates this point by stating, "When the Federal Government makes payments to individuals and businesses as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm that the right recipient is receiving the right payment for the right reason at the right time. The purpose of this order is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government … ."

In addition, Public Law 116-117 was enacted "To improve efforts to identify and reduce Governmentwide improper payments … ." Retirement Services' improper payment rate in FY 2024 was 0.32 percent, the lowest it has been since 2013. Prior to that, the improper payment rates had remained virtually stagnant for 11 years, as shown below.



Sources: OPM's annual Agency Financial Reports and/or paymentaccuracy.gov Datasets

Identifying the root causes of improper payments is key to developing mechanisms that will assist a program in preventing future improper payments. While the recent downward trend in the improper payment rate is encouraging, it is still critical that improvements be made in mechanisms for identifying root causes of improper payments. Retirement Services stated that an upgrade to their current legacy system is needed to properly categorize the root causes of improper payments, and that they requested $6.5 million for the Retirement Services Online Retirement Application and Digital File System in the FY Congressional Budget Justification and Annual Performance Plan for FY 2025. Retirement Services stated that OPM's Office of the Chief Information Officer requested funding through the Technology Modernization Fund on behalf of the agency.

<u>Recommendation 6 (Rolled Forward from FYs 2017 to 2023)</u>[22]

We recommend that Retirement Services develop and implement additional cost-effective corrective actions, aimed at the root causes of improper payments, to further reduce the improper payments rate.

<u>OPM's Response:</u>

"OPM concurs with this recommendation. Retirement Services and the Office of Chief Information Officer have collaborated to develop a detailed IT [information technology] Modernization cost estimate and are now seeking additional funding to advance process automation. Congress has passed a full year continuing resolution that funds OPM at

[22] A similar recommendation is in our office's Audit of the U.S. Office of Personnel Management's Federal Employees Health Benefits Program and Retirement Services Improper Payments Rate Methodologies report, Report Number 4A-RS-00-18-035, issued April 2, 2020. The resolution of this recommendation will be tracked using the corrective action plan from that audit recommendation.

levels similar to last year. We intend to seek funding in the FY 2026 budget request, according to OMB and OPM leadership guidance."

APPENDIX I

Improper Payments Reporting Status of Recommendations		
Recommendation	**Recommendation History**	**Current Status**
We recommend that OPM issue an improper payment estimate for the Federal Employees Health Benefits Program's that will allow them to be in compliance with the four PIIA requirements for future reporting years.	Rolled forward from FY 2023 Recommendation 1.	Resolved, see recommendation 1 in this report.
We recommend that Healthcare and Insurance contact OMB to obtain guidance on how to report an improper payment estimate in a fiscal year when a program has been separated into two different activities to develop an appropriate sampling and estimation methodology plan.	FY 2023 Recommendation 2	Closed on November 20, 2024.
We recommend that Risk Management and Internal Control strengthen its internal controls to show that management is performing supervisory control activities (e.g., a supervisory level of review) for all risk assessments conducted and that the review is documented and retained, (e.g., electronic signatures).	FY 2023 Recommendation 3	Closed on January 22, 2025.
We recommend that Retirement Services develop, document, and implement internal controls over the review of all data reported on the Payment Integrity Scorecard prior to the data being published on paymentaccuracy.gov, including, but not limited to, such controls as electronic signatures or supervisory signoffs.	FY 2023 Recommendation 4	Closed February 10, 2025.
We recommend that Retirement Services develop and implement additional cost-effective corrective actions, aimed at the root causes of improper payment, to further reduce improper payment rate.	Rolled forward from FY 2017 Recommendation 2, FY 2018 Recommendation 4, FY 2019 Recommendation 3, FY 2020 Recommendation 4, FY 2021 Recommendation 6, FY 2022 Recommendation 2, and FY 2023 Recommendation 5.	Open, see recommendation 6 in this report.

APPENDIX II

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

April 4, 2025

MEMORANDUM FOR: Nicole Brown-Fennell
Chief, Internal Audits Group
Office of the Inspector General

FROM: Melissa D. Ford MELISSA FORD Digitally signed by MELISSA FORD Date: 2025.04.07 12:16:18 -04'00'
Chief Financial Officer

THROUGH: Margaret P. Pearson MARGARET PEARSON Digitally signed by MARGARET PEARSON Date: 2025.04.04 11:43:29 -04'00'
Associate Director, Healthcare & Insurance

Edward M. DeHarde EDWARD DEHARDE Digitally signed by EDWARD DEHARDE Date: 2025.04.04 12:12:17 -04'00'
Deputy Associate Director, Healthcare & Insurance

SUBJECT: Response to Draft Report on the Audit of the U.S. Office of Personnel Management's Compliance with the Payment Integrity Information Act (PIIA) of 2019 Report No. 2025-IAG-003

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 Compliance with the Payment Integrity Information Act of 2019 (PIIA), Report No. 2025-IAG-003.

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

<u>Recommendation 1 (Rolled Forward from FY 2023)</u>:

We recommend that OPM issue an improper payment estimate for the Federal Employees Health Benefits Program that will allow them to be in compliance with the four PIIA requirements for future reporting years.

Management Response: OPM partially concurs with this recommendation.

OPM notes that this recommendation was resolved on December 5, 2024, with OIG's agreement via email based on the significant progress made to report an IP [improper payment] estimate for FY 2025.

OPM agrees it should report an improper payment estimate for the FEHB [Federal Employees Health Benefits] Experience- Rated carriers as quickly as possible, and also acknowledges it did not publish an IP/Unknown Payment (UP) estimate for the OPM Experience-Rated Activity for FY 2024. OPM has a Sampling and Estimation Methodology Plan that includes a methodology to report improper payment estimates for the FEHB experienced-rated carriers. Progress continues and OPM is receiving reports from experience-rated carriers. OPM remains on track to report an IP/UP estimate for FY 2025.

However, OPM does not concur that it does not comply with PIIA requirements 4, 5(b) and 6 identified by the OIG on pages 15-16 of the draft report. Two of those requirements are premised upon the occurrence of preconditions stated within the requirements. Since none of those preconditions have occurred, OPM cannot be in non-compliance position with requirements that have not yet arisen. Additionally, OPM disagrees it has not met one of the alternative means of compliance. Each of the requirements are addressed specifically below:

<u>PIIA Requirement 4:</u>

- Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.

OPM has not published an IP estimate above the statutory threshold for the FEHB Experience-Rated Carriers activity. As such, there is no requirement for a corrective action plan to be published. An assessment should not be made on non-existed criteria.

<u>PIIA Requirement 5b:</u>

- Demonstrated improvements to payment integrity <u>or</u> reached a tolerable improper payment and unknown payment rate.

This requirement has two alternate means to establish compliance. OPM has satisfied the first of these alternatives by demonstrating numerous improvements to payment integrity in 2024. These include, without limitation:

- Issuing the Agreed Upon Procedures (AUPs) as Appendix D to the FEHB Financial Reporting and Audit Guide;
- Developing an automated AUP Reports spreadsheet to standardize data collection with internal controls;
- Providing carrier training on completing the AUPs and submission of the AUP Reports spreadsheets;
- Addressing questions from carriers and their Independent Public Accountants; and
- Obtaining preliminary data to test the implementation of the AUPs.

Based on the numerous demonstrated improvements to payment integrity, OPM complies with this PIIA requirement.

As for the alternative means of demonstrating compliance, OPM's ability to reach a tolerable rate cannot be assessed because it has yet to publish a statistically valid IP estimate. An assessment should not be made on non-existed criteria.

<u>PIIA Requirement 6:</u>

- Reported an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

OPM has not published an IP estimate in the materials accompanying the annual financial statement for the experience-rated program. As such, there is no requirement to publish an estimate of less than 10 percent for the FEHB Experience-Rated Carriers activity. An assessment should not be made on non-existed criteria.

OPM concurs it is noncompliant with the requirement to publish an IP estimate but does not concur it is noncompliant with the remaining PIIA requirements cited by the OIG. OPM remains on track to publish an IP estimate in October 2025.

Recommendation 2:

We recommend that Retirement Services provide documentation to support that the five annuitant chargeback accounts were reviewed and placed into collection to reclaim the $21,311 in overpayments or written off, including evidence of the Fraud Branch's review and that a reclamation was created.

Management Response: OPM concurs with the recommendation.

OPM concurs with the recommendation and acknowledges the concerns raised regarding the chargeback process.

Recommendation 3:

We recommend that Retirement Services develop internal controls to monitor all chargeback activity, retain all documentation, and ensure collection to reclaim all overpayments.

Management Response: "OPM concurs with this recommendation.

RS [Retirement Services] currently has robust internal controls in place, including standard operating procedures (SOPs) and documentation retention policies, to ensure effective oversight of chargeback activity. Our SOPs outline a clear and systematic approach to identifying, tracking, and recovering overpayments of this nature. While we believe our current controls align with OIG's recommendations, we remain committed to continuously improving our processes."

Recommendation 4:

We recommend that Retirement Services implement controls to ensure that documentation is available and accurate to support the data reported for the Centenarian Project.

Management Response: OPM does not concur with this recommendation.

The Centenarian Project information provided to the OIG was a working document. Our working documents are incomplete or draft versions of our spreadsheets and are not proffered as a complete, finalized report. Although RS believes that our oversight and controls are robust, we have strengthened our controls to ensure that future shared reports are comprehensive and documentation is available to support the data related to this project.

In addition, per the OIG recommendations, RS is committed to further improving our Centenarian Project processes. We will continually review documentation procedures and update SOPs with any future enhancements.

Recommendation 5:

We recommend that Retirement Services develop a plan, including assigning sufficient resources, to update and complete the Centenarian master spreadsheet to identify, stop, and recover potential improper payments.

Management Response: OPM concurs with this recommendation.

RS acknowledges the importance of ensuring effective oversight and controls measures to mitigate the risk of improper payments. We are committed to strengthening our processes despite current constraints on hiring additional personnel. Recognizing our limitations in expanding the workforce, we plan to use existing resources when available, to address the OIG's recommendations.

RS acknowledges the importance of ensuring effective oversight and controls measures to mitigate the risk of improper payments. We are committed to strengthening our processes despite current constraints on hiring additional personnel. Recognizing our limitations in expanding the workforce, we plan to use existing resources when available, to address the OIG's recommendations.

Recommendation 6 (Rolled Fo[r]ward from FYs 2017 to 202[3]):

We recommend that Retirement Services develop and implement additional cost-effective corrective actions, aimed at the root causes of improper payments, to further reduce the improper payments rate.

Management Response: OPM concurs with this recommendation.

Retirement Services and the Office of Chief Information Officer have collaborated to develop a detailed IT [information technology] Modernization cost estimate and are now seeking additional funding to advance process automation. Congress has passed a full year continuing resolution that funds OPM at levels similar to last year. We intend to seek funding in the FY 2026 budget request, according to OMB and OPM leadership guidance.

I 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 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: https://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