



Office of the  
Inspector General


## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

December 17, 2025

Report No. 2025-IAG-012

MEMORANDUM FOR THE HONORABLE SCOTT KUPOR  
Director, Office of Personnel Management

FROM: NORBERT E. VINT   
Deputy Inspector General  
Performing the Duties of the Inspector General

SUBJECT: Audit of the U.S. Office of Personnel Management's  
Fiscal Year 2025 Consolidated Financial Statements

This memorandum transmits KPMG LLP's (KPMG) report on its audit of the U.S. Office of Personnel Management's (OPM) consolidated financial statements and discusses the results of the Office of the Inspector General's (OIG) review of the audit.

KPMG's report covers the consolidated balance sheets as of September 30, 2025, and the related consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources for the year then ended, and the related notes to the financial statements. KPMG's report also covers the financial statements of OPM's Retirement, Health Benefits, and Life Insurance Programs, which comprise the balance sheets as of September 30, 2025, and the related statements of net costs, and changes in net position, and budgetary resources for the years then ended, presented in the accompanying consolidating and combining financial statements, and the related notes to the financial statements.

### **Report on the Audit of the Financial Statements**

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires OPM's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the agency's financial statements in accordance with Government Auditing Standards, commonly referred to as the generally accepted auditing standards (GAGAS), issued by the Comptroller General of the United States. We contracted with the independent certified public accounting firm KPMG to audit OPM's consolidated financial statements as of September 30, 2025. The contract requires that the audit be performed in accordance with the standards applicable to financial audits contained in GAGAS and the U.S. Office of

Management and Budget (OMB) Bulletin No. 24-02, Audit Requirements for Federal Financial Statements.

KPMG's audit report includes opinions on the consolidated financial statements and the individual statements for the three benefit programs. In addition, KPMG reported on internal control over financial reporting and compliance and other matters, including the following:

- KPMG found that the consolidated financial statements and individual financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
- KPMG identified a material weakness in OPM's internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The report details the identified weakness in the following section:
  - Improvements Are Needed in Financial Reporting Controls
- KPMG identified significant deficiencies in OPM's internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The report details the identified deficiencies in the following sections:
  - Improvements Needed in Controls Over Information Technology
  - Entity Level Controls
- The results of KPMG's tests of OPM's compliance, with certain provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), disclosed no instances in which OPM's financial management systems did not substantially comply with the (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the U.S. Government Standard General Ledger at the transaction level.

### **OIG Evaluation of KPMG's Audit Performance**

In connection with the audit contract, we reviewed KPMG's report and related documentation and made inquiries of its representatives regarding the audit. To fulfill our audit responsibilities under the CFO Act for ensuring the quality of the audit work performed, we conducted a review of KPMG's audit of OPM's fiscal year 2025 consolidated financial statements in accordance with GAGAS. Specifically, we

- provided oversight, technical advice, and liaison to KPMG auditors;
- documented oversight activities and monitored audit status;

- ensured that audits and audit reports were completed timely and in accordance with the requirements of GAGAS, OMB Bulletin 24-02, and other applicable professional auditing standards;
- reviewed responses to audit reports per OMB Circular No. A-50, Audit Follow-up;
- coordinated issuance of the audit report; and
- performed other procedures we deemed necessary.

Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, opinions on OPM's financial statements or internal controls or on whether OPM's financial management systems substantially complied with the FFMIA or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's report dated December 16, 2025, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS.

In accordance with OMB Circular A-50 and/or Public Law 103-355, all audit findings must be resolved (agreement reached on actions to be taken on reported findings and recommendations or, in the event of disagreement, determination by the agency follow-up official that the matter is resolved) within 6 months of the date of this report. The OMB circular also requires that agency management officials provide a timely response to the final audit report indicating whether they agree or disagree with the audit findings and recommendations. Where agency management agrees, the response should include planned corrective actions and target dates for achieving them. If agency management disagrees, the response must include the basis in fact, law, or regulation for the disagreement.

To help ensure that the OMB Circular A-50 timeliness requirement for resolution is achieved, and since the OIG exercises oversight concerning the progress of corrective actions, we request that CFO coordinate with the OPM audit follow-up office, Internal Oversight and Compliance (IOC), to provide this initial response to us within 90 days of the issuance of this memorandum.

If the corrective action has not been completed at the time of the initial response, we also ask that IOC provide us with a report on the status every March and September thereafter until the corrective action has been completed.

In closing, we would like to thank OPM's financial management staff for their professionalism during KPMG's audit and our oversight of the financial statement audit this year. If you have any questions about KPMG's audit or our oversight, please contact me at 606-1200, or you may have a member of your staff contact Michael R. Esser, Assistant Inspector General for Audits, at [REDACTED]

Attachment



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## **Independent Auditors' Report**

Acting Inspector General  
U.S. Office of Personnel Management

Director  
U.S. Office of Personnel Management

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the consolidated financial statements of the U.S. Office of Personnel Management (OPM), which comprise the consolidated balance sheet as of September 30, 2025, and the related consolidated statements of net cost and changes in net position and combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements.

We also have audited the financial statements of the OPM's Retirement Program, Health Benefits Program, and Life Insurance Program, which comprise the balance sheets as of September 30, 2025, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended, presented in the accompanying consolidating and combining financial statements, and the related notes to the financial statements (collectively, the program financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the OPM as of September 30, 2025 and its net cost, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

Also in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OPM's Retirement Program, Health Benefits Program, and Life Insurance Program as of September 30, 2025, and their respective net costs, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the OPM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Other Matter – Interactive Data*

Management has elected to reference information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its consolidated financial statements and program financial statements. Such information is not a required part of the consolidated financial statements and the program financial statements or supplementary information required by the Federal



Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated and the program financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated and program financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and program financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated and program financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements and the program financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements and the program financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OPM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements and the program financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the OPM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated



financial statements and the program financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements and the program financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements and the program financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements and the program financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements and the program financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit for the year ended September 30, 2025 was conducted for the purpose of forming opinions on the consolidated financial statements and the program financial statements as a whole. The "Other Programs" and "Eliminations" columns presented in the consolidating balance sheet as of September 30, 2025 and the consolidating statements of net cost and changes in net position for the year then ended, and the "CSRS" and "FERS" columns presented in the consolidating statement of net cost for the year ended September 30, 2025 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements and the program financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements and the program financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and program financial statements for the year ended September 30, 2025 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements and the program financial statements or to the consolidated financial statements and the program financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements and the program financial statements as a whole for the year ended September 30, 2025.

#### *Other Information*

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Message from the Director, Message from the Chief Financial Officer and Transmittal from the OPM's Inspector General, Other Information in Section 3, and Appendices but does not include the consolidated financial statements and the program financial statements and our auditors' report thereon. Our opinions on the consolidated financial statements and the program financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements and the program financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements and the program financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by Government Auditing Standards**

##### *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the consolidated financial statements and the program financial statements as of and for the year ended September 30, 2025, we considered the OPM's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements and the program financial statements, but not for the purpose of expressing an opinion on the effectiveness of the



OPM's internal control. Accordingly, we do not express an opinion on the effectiveness of the OPM's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibits, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in Exhibit I to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Exhibit II to be significant deficiencies.

#### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the OPM's consolidated financial statements and the program financial statements as of and for the year ended September 30, 2025 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements and the program financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

We also performed tests of the OPM's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the OPM's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

#### *OPM's Response to Findings*

*Government Auditing Standards* requires the auditor to perform limited procedures on the OPM's response to the findings identified in our audit and described in the accompanying Exhibits. The OPM's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and the program financial statements and, accordingly, we express no opinion on the response.

#### *Purpose of the Other Reporting Required by Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the OPM's internal control or compliance. This communication is an integral part of an audit performed in



accordance with *Government Auditing Standards* in considering the OPM's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC  
December 16, 2025



## Material Weakness

This section contains our discussion of the material weakness that we identified in internal control over financial reporting.

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### Improvements are Needed in Financial Reporting Controls

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The U.S. Office of Personnel Management (OPM) utilizes numerous legacy feeder systems that are not integrated to its core financial system. As a result, various manual processes are needed to record financial activities into the general ledger (GL), including a high volume of manual journal entries. These manual processes inherently increase the risk of inaccurate or incomplete recording of financial information. In fiscal year (FY) 2025, we identified the following deficiencies in OPM's financial reporting controls that collectively constitute a material weakness.

#### **1. Ineffective review of manual journal entries**

During our testing over journal entries, we identified numerous deficiencies in controls related to the review and approval of manual journal entries. Specifically, we found that approximately 18% of manual journal entries tested did not have the appropriate supporting documentation accompanying the voucher package, which demonstrated a lack of evidence that the review and approval control was performed appropriately. These entries required further follow up requests for documentation with management to support that the entries were recorded accurately, completely, and timely. We also found that the amount recorded for certain journal entries did not agree to supporting source documents or transactions were recorded in the incorrect GL accounts. For example, we found that OPM's review and approval control of manual journal entries did not prevent the processing of two duplicate revenue journal entries related to the Health Benefits Program, totaling \$1.2 billion. Although these duplicate journal entries were subsequently detected and corrected by OPM using a reconciliation control activity, the error was not corrected for four months.

In addition, we identified a misstatement in the amount of \$581 million during our review of the documentation supporting the summary journal entry recorded for benefit expenses related to OPM's Health Benefits Program at September 30, 2025.

These conditions occurred because the existing policy documentation requirements did not contain sufficient detailed procedures necessary to perform an effective and comprehensive review of journal entries.

#### **2. Deficiencies in accounting for budgetary resources**

During our year-end testing, we identified a material error of approximately \$3.6 billion that existed between the Health Benefits Program Unexpired Unobligated Balance, End of Year - Apportioned, Unexpired Accounts and Unapportioned, Unexpired Accounts. Although OPM identified the material error through its fourth quarter reconciliation of the SF-132, Apportionment and Reapportionment Schedule to the SF-133, Report on Budget Execution and Budgetary Resources, the error was not corrected in the GL and the initial draft September 30th financial statements provided for the audit. As a result of the audit finding, the error was subsequently corrected in the final financial statements.

The condition occurred because management elected to not correct the impacted account balances. In addition, the lack of a fully implemented system functionality for the Budgetary Module within OPM's financial system contributed to management's reliance on a manual process to accurately record certain budgetary transactions in a timely manner.

### **3. *Insufficient Financial Statement Fluctuation Analysis***

The review and monitoring controls over the certified quarterly financial statements were not performed effectively in FY 2025. Specifically, management did not conduct a detailed financial statement fluctuation analysis over the consolidated and the individual Retirement Program, Health Benefits Program, and Life Insurance Program financial statements. The fluctuation explanations provided by OPM for significant fluctuations were often generic and did not sufficiently identify the primary cause for the changes. As a result, we noted a significant fluctuation in the Health Benefits Program Statement of Budgetary Resources caused by the error discussed above under the “Deficiencies in accounting for budgetary resources” section.

The condition occurred because OPM’s policies and procedures did not sufficiently outline the requirements to perform a detailed fluctuation analysis. In addition, OPM’s resource constraints hindered its ability to effectively transition personnel with new roles and responsibilities in a timely manner.

As a result of the condition, material misstatements existed in the Health Benefits Program financial statements, and there was an increased risk that other misstatements in OPM’s financial statements would not be prevented or detected and corrected in a timely manner.

#### **Criteria:**

The U.S. Government Accountability Office - Standards for Internal Control in the Federal Government (“Green Book”) provides standards for management’s responsibilities for internal control. Specific relevant principles include: 7 – Identify, Analyze, and Respond to Risks, 9 – Identify, Analyze, and Respond to Change, 10 – Design Control Activities, 12 – Implement Control Activities; and 16 – Perform Monitoring Activities.

#### **Recommendations:**

We recommend that OPM:

1. Enhance training and existing procedural guidance for preparers and reviewers of manual journal entries, technical Federal accounting and internal control matters, and fluctuation analysis to ensure that financial reporting controls and processes are performed to achieve management’s intended objectives.
2. Improve monitoring controls to ensure the applicable OPM personnel are effectively performing their supervisory review requirements over manual journal entries, including validating that entries are accurate and properly supported.
3. Implement updates within the Budget Execution Module to mitigate the need for manual month-end adjusting entries to true-up anticipated resources and the status of resources.

#### **Management’s Response:**

OPM concurs with the financial reporting audit recommendations. Office of the Chief Financial Officer is currently addressing the audit recommendations to mitigate risks and remediate deficiencies found in the condition. OPM remains committed to making continuous improvements to the internal control environment to achieve reporting accuracy.

## Significant Deficiencies

This section contains our discussion of the significant deficiencies that we identified in internal control over financial reporting.

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### Improvements Needed in Controls over Information Technology

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In FY 2025, OPM management continued to make progress on remediation efforts of prior year control deficiencies in information technology general controls. However, key corrective actions to fully remediate previously identified information system deficiencies were not completed as of September 30, 2025. The information technology controls were not appropriately designed, consistently implemented, or operating effectively to protect three primary source systems supporting OPM's benefits programs, including the system used in the calculation of retirement payments, the system used to record and issue payments for initial retirement and recurring annuities, and the system used to receive and record revenue from employee withholdings and employer contributions. Our findings are summarized as follows:

#### 1. *Logical Access:*

OPM did not effectively design, consistently implement or operate logical access controls for the three aforementioned systems. Specifically, we found the following:

- Periodic recertifications to validate the continued suitability of system access were not performed annually in accordance with OPM policy.
- Access to systems were not appropriately deactivated in accordance with OPM policy (e.g., within 24 hours as specified in organization policies and procedures).
- OPM could not provide system-generated listings of system users with their associated roles and responsibilities/functions, account creation date or account deactivation date.
- OPM did not develop and document incompatible role assignments.

The conditions described above occurred because time and resource constraints prevented management from implementing corrective actions to remediate previously identified deficiencies. In addition, one application did not have the functionality to produce reports on user roles and responsibilities for analysis.

These conditions increase the risk of unauthorized or inappropriate access to systems and data that are used to prepare the consolidated and Retirement Program financial statements.

#### Criteria:

The U.S. Government Accountability Office's Standards for Internal Controls in the Federal Government ("Green Book") provides standards for management's responsibilities for internal control. Specific relevant principles include: 10 – Design Control Activities; 12 – Implement Control Activities; 13 – Use Quality Information; and 17 – Evaluate Issues and Remediate Deficiencies.

National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 5 – Security and Privacy Controls for Information Systems and Organizations provides minimum information security requirements for federal systems. Specific relevant controls include AC-2 – Account Management, AC-6 – Least Privilege, AC-6(7) – Least Privilege/Review of User Privileges, and AC-5 – Separation of Duties.

## **2. Configuration Management:**

OPM did not appropriately design, consistently implement or operate configuration controls. Specifically, we found that OPM was unable to provide a system-generated listing of configuration changes implemented during the fiscal year.

The condition described above occurred because the application did not have the functionality to produce a list of changes migrated to the production environment.

The condition increases the risk that unauthorized or inappropriate configuration changes are implemented into system production environments without detection by management and could impact financially relevant transactions and data used to prepare the consolidated and the Retirement Program financial statements.

### **Criteria:**

Specific relevant Green Book principles include: 10 – Design Control Activities; 13 – Use Quality Information; and 17 – Evaluate Issues and Remediate Deficiencies.

Specific relevant NIST Special Publication 800-53 controls include AU-11 Audit Record Retention and CM-3 Configuration Change Control.

### **Recommendations:**

We recommend that OPM:

1. Perform and formally document periodic reviews of system access in accordance with OPM defined frequencies to validate the suitability of user access.
2. Establish, enforce, and communicate system access deactivation policies.
3. Document and enforce system roles and functions for each system, identify risks to segregation of duties resulting from incompatible role assignments, and implement changes to enable the ability to generate complete and accurate listings of users from all systems.
4. Establish an ability to systematically track configuration changes that have been implemented into system production environments for auditability and monitoring purposes.

### **Management's Response:**

OPM concurs with the IT audit recommendations. OPM remains committed to making continuous improvements to internal control environment to achieve OPM's mission. Office of the Chief Financial Officer will continue to collaborate with Office of the Chief Information Officer to remediate the remaining IT system deficiencies that could increase the risks of financial misstatements.

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## Entity Level Controls

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Entity level controls represent the foundational layer of a federal government agency's internal control system, setting the overall tone of the organization to achieve its intended operational and financial reporting objectives. These controls are not isolated to specific transactions or processes but have a pervasive impact across the entire agency.

During FY 2025, OPM experienced operational challenges that hindered its ability to maintain effective entity level controls throughout the fiscal year, including the lack of appropriate level of resources throughout the entire fiscal year to effectively prioritize its enterprise risk management process. Such challenges impacted the design, implementation, and operating effectiveness of the entity level controls. Our audit procedures identified the following deficiencies in entity level controls that collectively constitute a significant deficiency:

- Succession and contingency planning: OPM did not have a financial management succession plan in place to address the evolving risk associated with workforce reduction to ensure that appropriate personnel with the necessary competence and experience in financial management operations and reporting experience were available to fulfill the required responsibilities. Additionally, OPM did not sufficiently document all relevant internal control activities to ensure that OPM staff/personnel could fulfill their responsibilities using the necessary financial information.
- Training and communication: OPM financial management employees did not have adequate training to ensure they had the necessary knowledge to meet established control objectives. Additionally, there was a lack of coordination and collaboration within OPM to ensure relevant and necessary information regarding financial reporting objectives were communicated effectively.
- Monitoring and oversight: OPM did not have an enterprise risk management program, including an oversight body, in place for the entire fiscal year. Further, OPM did not have sufficient processes in place to monitor its internal control over financial reporting.

These conditions contributed to the process level control deficiencies previously discussed in Exhibit I and could lead to other weaknesses in internal control over financial reporting.

### Criteria:

The U.S. Government Accountability Office - Standards for Internal Control in the Federal Government ("Green Book") provides standards for management's responsibilities for internal control. Specific relevant principles include: 2 – Exercise Oversight Responsibility, 4 – Demonstrate Commitment to Competence, 7 – Identify, Analyze, and Respond to Risks, 12 – Implement Control Activities, and 16 – Perform Monitoring Activities.

### Recommendations:

We recommend that OPM:

1. Succession and contingency planning – review and re-assess processes to effectively optimize the allocation of personnel resources, eliminate redundancies, and enhance the efficiency in identifying and responding to risks.
2. Training and communication – provide training and supervision for personnel on financial management matters that affect the financial statements, including adhering to accounting policies and procedures, as appropriate and performing key internal control functions in support of financial reporting.
3. Monitoring and oversight – reinstate and evaluate the current risk governance framework, including the oversight body and ERM program.

**Management's Response:**

OPM concurs with the audit recommendations and is pleased to have achieved an unmodified "clean" audit opinion for the 26th consecutive year. OPM management has corrective actions in process to address the identified control weaknesses at an enterprise level throughout the agency. OPM re-established the agency's Enterprise Risk Management function, including the governance body Risk Management Council in September 2025 and updated Enterprise Risk Management Policy and Charter for agency leadership. OPM remains committed to making continuous improvements to internal control environment to achieve OPM's mission.