

# The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2026

Office of the Inspector General  
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## Introduction

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As required by the Reports Consolidation Act of 2000, the Office of the Inspector General (OIG) prepares this annual report to identify the top management and performance challenges facing the U.S. Office of Personnel Management (OPM) and assess OPM's progress in addressing those challenges.

We have organized the top management challenges into the following categories facing OPM in fiscal year (FY) 2026:

- OPM's workforce reduction (new for 2026)
- financial integrity of the OPM-administered trust funds, which affects OPM's Federal Employees Health Benefits, life insurance, and retirement programs
- information technology modernization and transformation
- governmentwide strategic human capital management

The OIG identified the issues in these categories as top challenges because they meet one or more of the following criteria:

- The issue involves an operation that is critical to an OPM core mission.
- There is a significant risk of fraud, waste, or abuse involving OPM or other government assets.
- The issue involves significant strategic alliances with other agencies, the U.S. Office of Management and Budget (OMB), the Administration, Congress, or the public.
- The issue is related to key initiatives of the President.

These challenges highlight the critical role OPM plays in safeguarding its programs' trust funds, modernizing its operations, managing its workforce, and guiding federal human capital strategy. Success will depend on strong leadership, accountability, and collaboration across government, ensuring OPM can meet its core mission and support the federal workforce in FY 2026 and beyond.

## Challenge 1: Operating with a Reduced Workforce

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Like other federal agencies, OPM is facing challenges surrounding the significant reduction of federal employees in its programs and offices. According to OPM officials, the agency is on track to lose more than 1,000 employees, approximately one-third of its staff, by the end of 2025 through a variety of methods, including but not limited to the Deferred Resignation Program, reductions in force, and termination of probationary staff. OPM must balance creating an agile, optimized workforce with adapting to recent shifts in governmentwide capacity and reduced federal staffing. How workforce changes will affect OPM's ability to fulfill its mission is yet to be determined and a top management challenge facing the agency.

The effective loss of this large number of employees represents a challenge facing OPM in building and sustaining an optimal workforce to support the agency's mission. This reduction occurred rapidly and has created immediate gaps in operational capacity. OPM states that its "political leadership, in coordination with the Office of the Chief Human Capital Officer (OCHCO) and program office leaders, conducted a comprehensive workforce review as part of the restructuring and workforce optimization effort. The restructuring process was guided by a deliberate, data-informed approach that included a review of each office's operational scope, staffing composition, and alignment with the agency's core mission. ... Most of the reductions were achieved through voluntary separation programs, early retirement authorities, and natural attrition, with only a limited number of reductions-in-force implemented where necessary."

OPM contends that the resulting organizational framework is meant to enhance efficiency, reduce overlap, and align OPM's resources toward mission-critical activities. However, when we requested documentation supporting these reviews, OPM stated that "there is no relevant documentation we can provide," a response that runs counter to best practices and policies per GAO Standards for Internal Control in the Federal Government.<sup>1</sup> Accordingly, the precise areas in which OPM will encounter the most significant challenges and disruptions in meeting its statutory missions remain uncertain. Nonetheless, impacts are expected to materialize as those employees' operational functions are removed from active workflows. While OPM Director Scott Kuper has expressed OPM's need "to be more efficient—either from an organizational perspective, or find ways to use technology that might help enhance efficiency," he has also acknowledged the potential implications of this disruption, noting that "we may have made some mistakes where we need to hire back some people."<sup>2</sup>

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<sup>1</sup> Standards for Internal Control in the Federal Government, [GAO-25-107721](#), May 15, 2025.

<sup>2</sup> Drew Friedman, OPM on track to eliminate 1,000 positions by the end of the year, Federal News Network (July 21, 2025), <https://federalnewsnetwork.com/management/2025/07/opm-on-track-to-eliminate-1000-positions-by-the-end-of-the-year>.

One example of potential impact is in the Office of the Chief Information Officer (OCIO), which has worked over the past 3 years to drastically reduce the number of open information technology (IT) audit recommendations. The open IT audit recommendations greater than 6 months old decreased by 133 from September 20, 2022, (264) to September 30, 2024, (131). The OCIO had brought on an audit coordinator who worked closely with the OIG to track ongoing audits and discuss steps for closing recommendations, but the audit coordinator and multiple supporting staff members have recently left the agency or been reassigned and have not been replaced. The closure of these open recommendations often is the result of the implementation of processes or internal controls to address identified weaknesses. These actions often do not occur without a designated official, like an audit coordinator, responsible for reminding program staff of the requirement to address audit recommendations. Another example of the impact of staff reductions occurred during our fieldwork for the FY 2025 Federal Information Security Modernization Act (FISMA) audit and the Government-Wide Email System (GWES) audit.<sup>3</sup> The OCIO requested multiple extensions to provide information or did not provide requested information as timely as the OIG has experienced in prior years. In the September 2025 GWES Flash Audit Report, OPM management acknowledged that “OPM recently changed the delegation for incoming audits in order to centralize the intake of these matters and inform the appropriate parties.” We are concerned that reduction in audit management infrastructure and OCIO staff may soon lead to an increase in open IT audit recommendations that would undo the progress made in recent years.

In our last top management challenges report, we removed the retirement claims processing backlog challenge based on OPM’s continued improvements in this area. While Retirement Services works to decrease the processing time of retirement applications and enhance the customer service experience for annuitants, we are concerned that a reduced workforce—more than 100 Retirement Services staff lost due to the deferred resignation program, regular retirements, and hiring action cancellations—could affect Retirement Services’ progress and its ability to continue to respond to the roughly 6,000 calls received daily.

The agency considers these recent workforce changes, along with various technology improvements, an opportunity to perform its mission potentially with more efficiency and effectiveness. Given the widespread nature of the recent workforce reductions, the agency’s planning for its long-term successful administration of its programs is more important than perhaps any time in the agency’s history. To this end, we have incorporated potential issues due to the reduced workforce into this report’s remaining challenges.

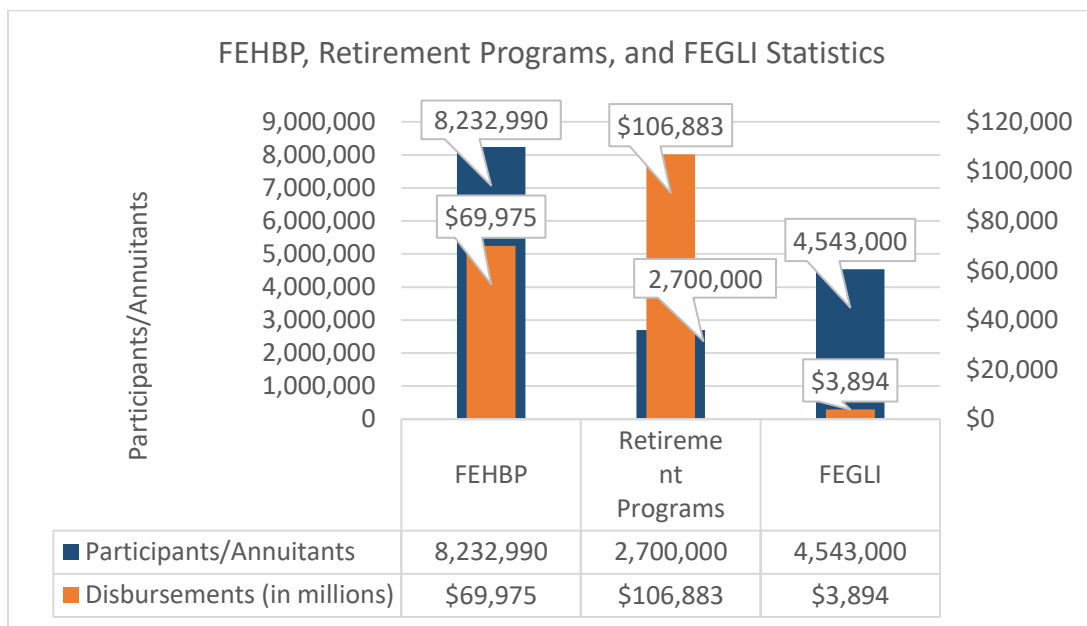
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<sup>3</sup> Audit of the U.S. Office of Personnel Management’s Government-Wide Email System, [2025-ISAG-018](#), September 24, 2025.

## Challenge 2: Ensuring the Financial Integrity of the OPM-Administered Trust Funds

In addition to its role as the chief human resources and personnel policy manager for the federal government, OPM is responsible for administering governmentwide benefits for federal employees, annuitants, and their eligible family members. The largest of these benefit programs are the Federal Employees Health Benefits Program (FEHBP), which includes the Postal Service Health Benefits Program (PSHBP); Federal Employees' Group Life Insurance Program (FEGLI); and retirement programs.

OPM manages approximately \$1.2 trillion in the earned benefits trust funds, including retirement, health benefits, and life insurance programs. The following chart shows the disbursement and participant/annuitant statistics for the three benefit programs, as of March 2025 for FEHBP and September 2024 for retirement programs and FEGLI:<sup>4</sup>



Protecting the financial integrity and providing effective stewardship of these three benefit programs is an essential part of OPM's statutorily mandated responsibilities. Managing and protecting these trust funds, providing quality and timely benefits, and providing value for the costs related to federal employees, annuitants, and their eligible family members' benefits are ongoing challenges that OPM must address.

<sup>4</sup> The retirement programs' disbursements represent total outlays for fiscal year 2023.

## Postal Service Health Benefits Program

The Postal Service Reform Act of 2022 (Public Law No. 117–108) (PSRA) created the new PSHBP within the FEHBP, establishing new enrollment procedures and benefit programs for approximately 1.7 million U.S. Postal Service employees, annuitants, and their eligible family members. Notably, the PSRA ended the Postal Service’s statutory requirement to annually prefund future retirement health benefits for Postal Service employees. It also required Postal Service annuitants and their eligible family members who are entitled to Medicare Part A to enroll in Medicare Part B. Additionally, the PSRA required PSHBP plans to provide prescription drug benefits to Postal Service annuitants and family members who are eligible for Medicare Part D through employment-based retiree health coverage.

Prior to passage, OMB issued a Statement of Administration Policy supporting the PSRA. Notably, the statement recognized that the creation of the PSHBP “would impose administrative burdens on OPM and the FEHBP.” Congress appropriated \$70.5 million (for FY 2022 until expended) to OPM to implement the PSRA’s requirements. While OPM has received additional annual funding for ongoing PSHBP costs, the Full-Year Continuing Appropriations and Extensions Act of 2025 did not include OPM’s budget anomaly of \$24 million for the PSHBP. The recent short-term spending package that provided continuing appropriations for FY 2026 (Pub. L. No. 119-37) included OPM’s requested anomaly funding to increase authorized trust fund transfers to support the PSHBP. As indicated by OPM in its anomaly request, without this funding, the agency would “face significant accounting difficulties in its operation of the PSHBP.” It is essential that OPM continues to work with Congress so that the final FY 2026 appropriations legislation includes funding for OPM’s administration of the PSHBP, ensuring that operations continue effectively.

Year one of the PSHB System (PSHBS) was developed as a minimally viable product, and further development was targeted after the initial open season. As reported in our July 2025 Flash Audit Report, the loss of funding from the anomaly elevates the risk of further development of the PSHBS being delayed or not occurring. In response to recommendations 1 and 2 of our July 2025 Flash Audit Report on PSHBP critical resource issues,<sup>5</sup> OPM stated it has reallocated funding from savings across the agency and has reassigned work to staff members to ensure operational effectiveness of the PSHBP. As of the date of this report, those recommendations are still open as OPM has not provided data or evidence to support those positions.

The first open season for the PSHBP started on November 11, 2024, and the first benefit year started on January 1, 2025. As outlined in more detail below, while there were some issues, OPM appears to have successfully established the PSHBP while safeguarding the stability of the FEHBP. Looking ahead into future development of the PSHBP, the OIG has concerns that OPM

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<sup>5</sup> Flash Audit Report on the U.S. Office of Personnel Management's Postal Service Health Benefits Program: Critical Resource Issues, [2025-PSHB-091](#), July 2, 2025.

has not ensured that the PSHBS will remain fully staffed, supported, and funded during OPM workforce optimization initiative. As a result of our post-implementation interviews and reviews, we have identified concerns about whether OPM is staffed at an adequate level to ensure the continued success and improvement of the PSHBP.<sup>6</sup> For example, as detailed in our July 2025 Flash Audit Report on PSHBP critical resource issues, based on OPM analysis, the agency initially indicated that 11 staff members are needed to support the PSHBP infrastructure, including the data platform. At the time of our report, there were only three staff members assigned to this work, which causes concerns for operational effectiveness. In responding to our recommendation that OPM address this shortage of skilled personnel, OPM noted that the agency has worked to reassign staff as needed to ensure operational continuity. However, we have not been provided with data-backed evidence to support the reassignment of staff and this remains an open recommendation.

While the first open season was ultimately an overall success, OPM officials we interviewed stated that more than 60,000 enrollment reconciliations were needed to ensure subscribers and members were enrolled in the appropriate plan. Through continued discussions with OPM, we were informed the individual enrollment transactions were remedied, but the root cause of the issues was not fixed as development of program IT systems has slowed. With the noted funding and staffing challenges, there is a risk that the same transactional issues that occurred in year one will occur in year two's open season.

We also noted in our October 2024 audit on the PSHBP customer support experience that documented written plans, policies, and procedures were needed to ensure planning is adequate and sufficient customer support resources are allocated to meet the volume of expected calls.<sup>7</sup> The documented plans, policies, and procedures are critical for the customer service representatives to address the expected higher volume of calls during open season in a timely manner. The first open season of the PSHBP presented challenges that required a 1-week extension to ensure enrollees could navigate the new process. OPM provided sufficient documentation to support closure of recommendation 1 in the customer support experience audit by providing additional plans, policies, and procedures related to the customer support experience. The upcoming open season will test those plans, policies, and procedures to ensure they will work as intended operationally.

The ongoing development of the PSHBS also provides OPM the opportunity to update and improve existing systems used to manage the FEHBP, such as by establishing a centralized enrollment system that can potentially be expanded to the FEHBP and a comprehensive data

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<sup>6</sup> Flash Audit Report on the U.S. Office of Personnel Management's Postal Service Health Benefits Program: Critical Resource Issues, [2025-PSHB-091](#), July 2, 2025.

<sup>7</sup> Audit of the U.S. Office of Personnel Management's Implementation of the Postal Service Health Benefits Program Customer Support Experience, [PSHB-089](#), October 23, 2024.

warehouse to support management decision-making. Improper payments included in the FEHBP are estimated to be as much as \$1 billion per year, and having a centralized enrollment system could provide the ability to document enrollment eligibility and identify ineligible FEHBP members, addressing one of the key areas of these improper payments. As all recommendations remain open from our July 2025 Flash Audit Report on critical resource issues, we continue to have concerns related to a heightened risk of operational failure of the PSHBS due to staffing and resource issues. Loss of functionality of the centralized enrollment process will hinder OPM's intended future use of the system for the approximately 6.5 million (non-Postal Service) federal employees, annuitants, and eligible family members enrolled in the FEHBP.<sup>8</sup>

## Federal Employees Health Benefits Program

OPM, as the administrator of the FEHBP, is responsible for negotiating contracts with health insurance carriers covering the benefits provided and premium rates charged to over 8.2 million federal and postal employees, annuitants, and their eligible family members. The increasing cost of health care, especially the cost of prescription drugs, continues to be a challenge for OPM. OPM's previous work to address prescription drug pricing transparency and low-value care are examples of the agency's positive efforts in this area, but OPM must continue to improve the FEHBP for federal employees, annuitants, and their eligible family members.

## Escalating Prescription Drug Costs in the FEHBP

Prescription drug spending in the FEHBP has reached a critical point. Between 2023 and 2024, drug costs surged nearly 19 percent for fee-for-service and experience-rated carriers, far outpacing the 1.4 percent increase in total health benefit charges. In 2024 alone, prescription drug expenditures approached \$23 billion and accounted for 37.4 percent of total FEHBP health care costs, the highest proportion in the program's modern history.

This sharp rise is not unique to the FEHBP. Nationally, U.S. prescription drug spending reached \$405 billion in 2023, with specialty drugs comprising more than half of that total while representing less than 2 percent of all prescriptions. These high-cost therapies, often used to treat cancer, autoimmune diseases, and rare conditions, are projected to grow at an annual rate of 8–10 percent.

Several key factors are fueling the rise in prescription drug costs within the FEHBP:

- increased utilization of both traditional and specialty medications at all ages
- an aging enrollee population leading to greater prescription volumes
- high-cost specialty drugs now dominating total drug expenditures

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<sup>8</sup> Flash Audit Report on the U.S. Office of Personnel Management's Postal Service Health Benefits Program: Critical Resource Issues, [2025-PSHB-091](#), July 2, 2025.

- glucagon-like peptide-1 (GLP-1) medications, such as Ozempic and Wegovy, with soaring demand and high per-member costs
- new pharmaceutical innovations frequently launched at premium prices to recover research and development costs

Standing out amongst these examples is the explosive growth of GLP-1 medications. Originally developed for diabetes management, these drugs are now widely prescribed for weight loss. With annual costs ranging from \$10,000 to \$15,000 per patient, GLP-1s have become a major cost driver. In 2024, they accounted for an estimated 10–20 percent of total drug spending in some large employer health plans.

The FEHBP's largest carrier reported a staggering 305 percent increase in GLP-1 costs from 2022 to 2024, with these drugs representing 17 percent of total drug spending in 2024. This trend has prompted some employers and state plans to reconsider coverage. For instance, Blue Cross Blue Shield (BCBS) plans in Massachusetts and Michigan have discontinued GLP-1 coverage for weight loss, citing unsustainable financial losses. BCBS Massachusetts alone reported a \$400 million operating loss in 2024, largely attributed to GLP-1 spending.

As drug costs rise, scrutiny of pharmacy benefit managers (PBMs) has intensified. Over the last 4 years, the OIG has flagged significant transparency issues among PBMs that contracted with FEHBP carriers. Since 2021, the OIG has conducted 5 PBM audits of FEHBP carriers questioning almost \$91.5 million in prescription drug overcharges due to noncompliance with FEHBP pricing standards.

Most recently, PBMs have been found to circumvent OPM's pass-through transparent pricing requirements by negotiating aggregate discounts with retail pharmacies that allow variable claim pricing; failing to pass through all credits received from pharmacies and drug manufacturers; charging pricing incentive payments to the FEHBP that disregard pass-through pricing; and skimming additional profits from rebates and drugs through vertical integration with rebate aggregators, group purchasing organizations, wholesalers, manufacturers, and pharmacies owned by the PBM.

These practices undermine health care and obscure true drug costs. In accordance with Executive Order 14297, Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients, OPM should evaluate the benefits of implementing a Most-Favored Nations clause (MFN) in its PBM Transparency Standards as a strategy to reduce FEHBP drug costs. This provision would ensure that the FEHBP receives the most favorable pricing available and prevent PBMs from shifting better deals to clients using spread pricing models where PBMs retain the profit margin.

Structural disparities in PBM contract terms also warrant attention. A 2020 OIG Management Advisory Report revealed that larger carriers often secure more favorable pricing, potentially

limiting cost savings across the FEHBP, which currently generates more than \$61 billion in annual spend.<sup>9</sup> The Management Advisory Report also recommended a comprehensive, expert-led study to identify cost-saving strategies.

The recommended study, funded in FY 2024 and completed in November 2024, proposed several pharmacy cost-control considerations. One such consideration was for OPM to evaluate and consider implementing an MFN clause in its PBM standards, as discussed above. This may be more feasible were OPM to carve out the pharmacy benefit and contract directly with a single PBM. However, per OPM, a pharmacy carve-out option would require a legislative amendment to the law governing the FEHBP. Regardless, OPM should now evaluate the study's recommendations for potential savings to protect both the FEHBP and the newly established PSHBP from future cost escalation by implementing measures that are expected to yield the greatest savings.

The FEHBP is at a crossroads. Without action, rising prescription drug costs driven by specialty drugs, GLP-1s, and opaque PBM practices could threaten the long-term sustainability of the program. OPM should prioritize strategic reforms that promote PBM transparency, equity, and value for the millions of federal employees, retirees, and eligible family members who rely on the FEHBP for their health care and prescription drug benefits.

## FEHBP Enrollment and Eligibility

Ineligible persons (such as non-spousal partners, grandchildren, or friends who are enrolled by an FEHBP subscriber) receiving FEHBP benefits is a challenge for OPM. This issue has been reported on in previous OIG reports and by the U.S. Government Accountability Office (GAO).<sup>10</sup> OPM continues its efforts towards addressing this issue. However, ineligible enrollments in the FEHBP are an ongoing problem for the agency and its administration of the program.

The FEHB Protection Act of 2025, enacted under Pub. L. 119–21, Title IX § 90101 (2025), requires OPM to conduct a comprehensive audit of FEHBP family members' eligibility, implement new regulations to verify family member eligibility, and disenroll those found to be ineligible for

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<sup>9</sup> Management Advisory Report on Federal Employees Health Benefits Program Prescription Drug Benefit Costs, [1H-01-00-18-039](#), March 31, 2020.

<sup>10</sup> Management Advisory Report on FEHB Program Integrity Risks Due to Contractual Vulnerabilities, [4A-HI-00-18-026](#), April 1, 2021; previous OPM OIG Top Management Challenges reports; Federal Employees Health Benefits Program: Additional Monitoring Mechanisms and Fraud Risk Assessment Needed to Better Ensure Member Eligibility, [GAO-23-105222](#), December 9, 2022; and Federal Employees Health Benefits Program: OPM Should Take Timely Action to Mitigate Persistent Fraud Risks, [GAO-25-106885](#), July 17, 2025.

coverage under the FEHBP. OPM is also required to include ineligible persons in any FEHBP fraud risk assessment OPM conducts.<sup>11</sup>

A comprehensive audit of FEHBP members has never been done before and is a significant project for OPM. Much of the information is decentralized across employing agencies that manage enrollments for their federal employees. OPM will have to carefully plan the statutorily required audit and any subsequent removal of ineligible persons.

OPM previously stated its intent to use a centralized enrollment portal that will allow a federal employee or annuitant to submit valid documents (e.g., birth certificates, adoption certificates, marriage certificates) proving that family members are eligible for FEHBP benefits. A portal with this functionality is an operational part of the PSHBP. While scaling up the PSHBP centralized enrollment portal for the entire FEHBP has been a way to meet the longstanding OIG recommendation of having centralized enrollment and is part of the agency's long-term strategy, to do so will be significant undertaking. Covering the several million more enrollees in the FEHBP will require creating a system that has access to a significant amount of personally identifiable information and/or protected health information for millions of federal employees, annuitants, and eligible family members.

OPM has made progress toward its plan for protecting the FEHBP program from fraud and abuse by ineligible persons and having more robust program integrity controls related to enrollment. The OIG has performed various audits and oversight activities related to the development and implementation of the PSHBP, and we will continue to provide oversight of the agency's next steps as it expands its important work in enrollment verification.

## Health Insurance Carriers' Fraud and Abuse Programs

The oversight of the FEHBP relies on a complex relationship between OPM and the FEHBP carriers and their subcontractors. In the most recent FEHBP carriers' fraud, waste, and abuse reports (required under Carrier Letter<sup>12</sup> 2017-13), FEHBP carriers collectively reported estimated financial losses totaling \$265,084,035.<sup>13</sup> OPM's program integrity functions largely, though not exclusively, are exercised through sub-contractual guidance via carrier letters and the annual

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<sup>11</sup> The FEHB Protection Act requires that the OPM Director issue regulations and implement the process for the verification audit not later than 1 year after the date of enactment of the Act (i.e., July 4, 2026). After this 1-year period, OPM has a 3-year period to carry out the comprehensive audit.

<sup>12</sup> Carrier letters are issued by OPM's Healthcare and Insurance program office to provide guidance, instructions and communicate information to carriers participating in the FEHBP.

<sup>13</sup> This requirement in the carrier fraud, waste, and abuse reports is for carriers to "Report all estimated financial losses limited to no more than the most recent 3-year period which the [fraud, waste, or abuse] issue was detected and determined to have occurred. This figure would be determined within the preliminary review stage of an allegation, complaint or case and would include all paid amounts based on the allegations."

fraud, waste, and abuse reports that respectively rely on the carriers to enact OPM's program integrity protection of the FEHBP. These mechanisms provide only summary retrospective and self-reported information about carrier program integrity efforts. OPM relies on the carriers to be good-faith partners in detecting and preventing fraud, waste, and abuse by performing program integrity functions across the diffused network of plans.

OPM requires the FEHBP carriers to oversee their own programs in accordance with laws and regulations, as well as contracts and guidance established by OPM. The agency is strongly reliant on the FEHBP carriers to perform program integrity functions for their own plans, but OPM faces challenges promoting program integrity across the entire program. OPM's lack of a formal program integrity function within the agency, or more specifically, its Healthcare and Insurance program office, decentralizes OPM's program integrity function. This may impede agency officials' requirement to continually evaluate and improve their own performance and internal controls to ensure effectiveness in carrying out their mission and safeguarding the integrity of their programs.

The most recent OPM carrier letter that comprehensively addressed fraud, waste, and abuse was published in November 2017 (Carrier Letter 2017-13). As OPM continues to improve its internal program integrity functions, reinforcing the carriers' role in protecting the FEHBP's integrity via carrier letters outlining, and improving upon, the current policies and procedural requirements for handling fraud, waste, and abuse remain an important tool for the agency.

## Identifying and Reducing the Flow of Improper Payments

As in previous years, identifying and reporting improper payments in OPM's largest programs, the FEHBP and the retirement programs (the Civil Service Retirement System and the Federal Employees Retirement System), remains a top management challenge for the agency. OPM faces different challenges in identifying and preventing improper payments in its major programs.

For FY 2023 and FY 2024, the OIG determined that OPM was not compliant with the Payment Integrity Information Act of 2019.<sup>14</sup> This was largely due to OPM not reporting improper payment estimates for the FEHBP in FY 2023 and FY 2024, in accordance with OMB Circular A-123, Appendix C—Requirements for Payment Integrity Improvement, because OPM was modifying the statistically valid sampling and estimation methodology plan for experience-rated carriers. In June 2023, OPM submitted to OMB a sampling and estimation methodology plan for the FEHBP's experience-rated carriers, and in June 2024, the agency submitted an updated sampling and estimation plan to OMB. The OIG has not yet received further information about

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<sup>14</sup> Audit of the U.S. Office of Personnel Management's Compliance with the Payment Integrity Information Act of 2019, [2024-IAG-010](#), May 29, 2024, and Audit of the U.S. Office of Personnel Management's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2024, [2025-IAG-003](#), May 23, 2025.

the estimation plan for FY 2025. Developing a more accurate understanding of improper payments is essential for the agency to reduce improper payments.

## Improper Payments in the Retirement Programs

Identifying and preventing improper payments in its retirement programs is an ongoing challenge for OPM. Over the last 5 years, OPM has reported over \$1.24 billion in improper payments, as part of its improper payments reporting on [paymentaccuracy.gov](https://www.paymentaccuracy.gov). As part of this total, in FY 2024, OPM reported \$243.7 million in overpayments within the agency's control. While OPM has stated that it understands the root causes of retirement improper payments, its aged systems complicate its program integrity efforts. Reducing improper payments hinges on the continued modernization of OPM's retirement systems.<sup>15</sup> Effective planning and decision-making will be essential to any modernization efforts to ensure the retirement programs continue to meet obligations to annuitants.

OPM is in the middle of one of the largest mass-retirement events in the federal government's history through the Deferred Resignation Program and various Voluntary Early Retirement offers across many agencies. As the OIG noted in its investigative summaries and semiannual reports, many of the fraud referrals we receive or discover proactively involve years of improper payments before detection. Efforts to detect and prevent fraud, waste, and abuse in the retirement programs today will have a lasting effect on the agency's program integrity.

The OIG has a largely positive working relationship with the Retirement Services' Fraud Branch, though the OIG still receives fewer than expected fraud referrals to develop into investigations. In FY 2025, we have received 12 fraud referrals from the Fraud Branch, with program exposure totaling just under half a million dollars. Timely sharing of information is essential to our oversight efforts to identify, stop, and recover improper payments. The OIG looks forward to our continued partnership and shared efforts to prevent fraud, waste, and abuse from affecting annuitants.

## Improper Payments in the Federal Employees Health Benefits Program

OPM continues to face challenges related to identifying and reporting improper payments in the FEHBP. It is strongly reliant on each FEHBP carrier to perform program integrity functions for their own plans. OPM's current program efforts are decentralized, which does not supplant the lack of a formal program integrity function to promote responses to global challenges that cause improper payments across the entire program.

There is no one-size-fits-all solution to FEHBP improper payments. The program, like the health care sector as a whole, is constantly under attack from bad actors seeking to exploit the

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<sup>15</sup> As noted in OPM's FY 2024 Agency Level Payment Integrity Results: "RS leadership is actively pursuing modernization initiatives to prevent such payments."

program for personal gain. A robust program integrity function centralized within the agency can rely on its decentralized partners in the special investigations units for identifying and referring emergent risks to the program and its members and promote global remedies to fraud schemes. This would allow the agency to more nimbly react to widespread challenges, such as when schemes like durable medical equipment fraud or pass-through billing schemes reemerge in new and more sophisticated ways. Most fraud schemes do not affect just one insurer, so better agency insight into fraudulent, wasteful, or abusive FEHBP payments across carriers ultimately should mean better protection for the program.

Improving the agency's ability to identify improper payment and fraud, waste, and abuse will improve the OIG's ability to conduct oversight of the program. With increased transparency, we will be better able to investigate and help prosecute the complicated fraud schemes that harm the program. We will continue to work with the agency to protect the FEHBP and its members.

## Retirement Programs

OPM administers the federal retirement programs, serving approximately 2.8 million active employees, including the Postal Service, and more than 2.7 million annuitants and eligible family members.

### Retirement Services' Operations

OPM Retirement Services is responsible for the development and administration of retirement benefits programs and services, including making initial eligibility determinations at retirement; health and life insurance enrollments; federal and state tax deductions; other payroll functions; adjudication of annuity benefits based on age and service, disability, or death; and post-retirement changes due to life events.

In FY 2024, OPM paid more than \$106 billion in defined benefits to annuitants and eligible family members. OMB has identified Retirement Services as one of the federal government's 38 high-impact service providers. Between January and July 2025, OPM processed 66,385 retirement claims, an increase of more than 11,000 claims over the same period in 2024.

While OPM works to prepare for and minimize the impact of fluctuations in processing retirement claims, the recent reductions in staffing and impending surge in retirement claims of federal employees who will separate from the federal government by the end of the year could result in those submitting their retirement paperwork having to wait longer to have their claims processed. In July 2025, OPM reported that it took an average of 59 days to process federal employee retirement packages from start to finish. This was an average of 2 weeks longer than it took OPM to process retirement claims just 1 month earlier. In August and September 2025, OPM's average number of days to process retirement packages increased to 70 and 76 days, respectively. While the increase in the claim processing time certainly can be tied to the increase in retirements, the loss of more than 100 Retirement Services employees due to the deferred

resignation program and regular retirements, as well as more than 20 hiring action cancellations, could also be considered contributing factors.

The OIG, GAO, and Congress have identified challenges for Retirement Services, including the need to fund and modernize legacy systems to move from paper-based applications and manual case processing to electronic systems, insufficient staff capacity, and incomplete retirement applications from federal agencies. In addition, congressional hearings have addressed challenges in the retirement system, and Members of Congress sent letters to OPM's Acting Director in April and July 2023, expressing concerns in delays with processing and delivering federal retirement benefits to federal employees.

Coordinating retirement benefits between OPM and other federal agencies for disability benefits and workers' compensation has also remained a problem area for the retirement programs. An October 2020 performance audit of OPM Retirement Services disability process conducted by our office found that OPM often receives incomplete disability applications, which requires further development of cases before they can be moved to the next phase of processing.<sup>16</sup> The recommendations from this October 2020 report remain open pending implementation of corrective actions.

Retirement Services stated that they have implemented strategies to strengthen their operations, including the following:

- launching a new online portal for federal retirees to streamline the retirement application process by digitizing retirement applications, verifying service credit eligibility, and electronically storing retirement files
- developing and upgrading user interfaces, modernizing system components, and enhancing data integration of Retirement Services systems to improve customer service
- completing a full rollout of the Online Retirement Application, the federal government's first fully digital retirement application system, and requiring that all new federal retirement applications be submitted electronically beginning June 2, 2025
- working through the process and organizational changes required to revamp the entire flow of applications and adjudications, including increased development activities on the core applications that are impacted by various payroll providers

OPM's expectation is that these changes will dramatically speed up the retirement application process, increasing the reliance on technology and automation while reducing the reliance on manual processes. The impact of these changes will be seen in the progress made by OPM in reducing the backlog of retirement applications. This is an area that will continue to be tested

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<sup>16</sup> Audit of the U.S. Office of Personnel Management's Retirement Services Disability Process, [4A-RS-00-19-038](#), October 30, 2020.

over the coming months, as the agency navigates its ability to process claims expeditiously while mitigating the challenges that threaten to delay the process, all while continuing to provide customer service to annuitants.

## Retirement Services' Customer Service

OPM's FYs 2022–2026 Strategic Plan, goal 3, objective 3.1, focuses on creating a human-centered customer experience. This initiative objective is intended to enhance the Retirement Services customer experience by putting the needs of OPM's customers at the center of OPM's workforce services, policy, and oversight and providing timely, accurate, and responsive service that addresses the needs of OPM's customers. In May 2025, OPM announced that as of June 2, 2025, all new federal retirement applications must be submitted electronically. This yearslong effort to vastly improve the previously cumbersome retirement application process is an exciting opportunity for OPM.

Customer service remains an issue for OPM's retirement operations. Reporting in the Washington Post anecdotally described customer service issues similar to those the OIG has identified as a top challenge for OPM in previous reports.<sup>17</sup> In previous top management challenge reports, we identified lack of resources as a contributing factor to this issue. Annuitants, and especially survivor annuitants, often call the OIG Hotline when they are frustrated with their inability to obtain help with their retirement issues due to long hold times in Retirement Services.

Since January 2025, the OIG has received more than 250 customer service-related hotline complaints that we referred to Retirement Services. About 20 percent of the hotline complaints that the OIG receives regarding retirement customer service are for a lack of response from the OPM program office. As of August 26, 2025, we have approximately 30 complaints that have, to our knowledge, not received an OPM response more than 100 days after we provided the information to the Retirement Services program office.

With the surge of retirees from the Deferred Resignation Program, as well as the increased use of Voluntary Separation Incentive Payments and the Voluntary Early Retirement Authority contributing to the overall shrinking of the federal workforce by approximately 300,000 employees (or 12.5 percent),<sup>18</sup> OPM must anticipate and prepare for increases in customer service contacts as it seeks to continue to serve annuitants.

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<sup>17</sup> Meryl Kornfield and Hannah Natanson, Historic wave of retirements is putting huge strains on the government, The Washington Post (October 13, 2025), <https://www.washingtonpost.com/politics/2025/10/13/retirements-buyouts-federal-government-trump>.

<sup>18</sup> Eileen Sullivan, Year will end with 300,000 fewer federal workers, Trump official says, The New York Times (August 22, 2025), <https://www.nytimes.com/2025/08/22/us/politics/trump-federal-workers.html>.

## Challenge 3: Modernizing Information Technology

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Modernizing OPM's IT security and operations continues to be an area of focus for the agency. While OPM has made significant progress toward improving and modernizing its technology environment and its organizational structure, challenges remain.

### Workforce Reductions Impact to the Office of the Chief Information Officer

OPM also faces challenges in sustaining its information security and privacy programs due to recent workforce reductions in FY 2025. These workforce reductions may have contributed to a decline in OPM's performance as measured by the OIG's FISMA FY 2025 audit fieldwork, conducted from December 2024 to August 2025, which determined that OPM's score had decreased due to weaknesses in the consistent implementation of security and privacy controls. Without sufficient personnel to fill cybersecurity and privacy roles, OPM will continue to face challenges in meeting the security and privacy requirements of FISMA to ensure data and systems in its network environment are adequately protected.

Additionally, we experienced the impact of OPM's workforce reduction during FY 2025. We encountered delays in receiving responses to our information requests for both projects and experienced difficulties scheduling audit meetings with OPM personnel for the GWES audit. These delays affect the timeliness of our reporting, which in turn affects OPM leadership's ability to take corrective action on identified issues, such as recommendations designed to achieve OPM's self-assessed FISMA maturity levels.

### Artificial Intelligence Implementation

Executive Order 14179 and recent OMB memorandums M-25-21 and M-25-22 have empowered agencies to place significant emphasis on the adoption of artificial intelligence (AI). OPM's implementation of AI presents opportunities and risks to its mission of administering federal workforce policies, retirement services, health care and insurance, and other critical programs that impact the entire federal workforce.

OPM has been emphasizing the need to increase the use of AI throughout the agency in accordance with OMB memorandums. Although OPM has just recently released an AI strategy and separate AI compliance plan, all required actions that are listed in memorandum M-25-21 do not appear to have been implemented (e.g., updating internal policies on IT infrastructure, data, cybersecurity and privacy, development of a generative AI policy, issuing an AI rules of behavior policy and pledge, implementing minimum risk management practices for high-impact uses of AI). Additionally, it is unclear whether all requirements of memorandum M-25-22 have been met (e.g., updating agency policies on acquisition, protecting privacy, protecting IP rights

and use of government data). Although we have not conducted any AI-specific audits to date, we strongly encourage OPM to follow OMB's guidance on implementing AI to ensure that safeguards and monitoring are in place before deploying any AI systems.

## Challenge 4: Addressing the Government's Strategic Human Capital Management

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Mission-critical skills gaps in federal agencies and the federal workforce pose a high risk. These gaps can impede agencies from cost-effectively serving the public and achieving desired results. Implementing the one priority recommendation from GAO in this area—establishing an action plan to address skills gaps identified in OPM's workforce assessment—will help OPM improve its capacity in these areas. It would also help OPM provide human capital services and guidance to agencies.

OPM has oversight responsibility for one of the high-risk areas—strategic human capital management—that GAO added to its High-Risk List in 2001. In its February 2025 High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness report,<sup>19</sup> GAO stated that the list has been updated, adding one new area, for a total of 38 areas across the federal government that are seriously vulnerable to waste, fraud, abuse, and mismanagement or that are in need of transformation. GAO further stated that 20 areas on the list relate to strategic human capital. In its August 2025 priority open recommendations letter to OPM's Director, GAO provided an update on the overall status of OPM's implementation of GAO's recommendations and called attention to three areas where open recommendations should be given high priority, one of which is Addressing Mission Critical Skills Gaps.<sup>20</sup>

In February 2024, GAO issued a report concerning the USA Staffing System and identified the federal hiring process as a key element of strategic human capital management. GAO found that "OPM provides a variety of support to customers, including account management services and a help desk feature."<sup>21</sup> OPM also collects feedback through surveys and its system enhancement process." However, OPM has not documented its process for updating its manual records, including the roles, responsibilities, and procedures for conducting certain quality control tasks for managing interagency agreement data. GAO made three recommendations, and OPM agreed with the recommendations and described the actions they planned to take to implement them.

In its FY 2023 Agency Financial Report, OPM identified the strategic human capital management governmentwide challenge as one of its strategic goals to improve OPM's ability to provide

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<sup>19</sup> High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness, [GAO-25-107743](#), February 25, 2025.

<sup>20</sup> Priority Open Recommendations: Office of Personnel Management, [GAO-25-108081](#), August 6, 2025.

<sup>21</sup> Federal Hiring: USA Staffing System Supports Hiring Needs, but Actions Are Needed to Strengthen Training and Program Management, [GAO-24-105738](#), February 6, 2024.

strategic human capital management leadership to agencies through the expansion of innovation, pilots, and identification of leading practices across government. Furthermore, during FY 2025, OPM published various memorandums to Chief Human Capital Officers, HR Directors, and Heads of Agencies concerning human capital management. By FY 2026, OPM plans to provide federal agencies with 25 leading practices.

In the FY 2024 Agency Financial Report, OPM indicated that the agency has made strides in this area through the following:

- utilizing more pooled hiring, where multiple agencies with the same need can take advantage of one hiring action rather than each agency running its own
- sponsoring a Federal Internship social media blitz where agencies posted their internship opportunities at a coordinated time and social media was used to spread the word about federal jobs
- launching an early career page and career explorer tool on USAJOBS
- working to implement a merit-based transformation of federal hiring by driving widespread adoption of skills-based hiring, building upon the federal employment objectives under Executive Order 13932, Reforming and Modernizing the Assessment and Hiring of Federal Job Candidates

In addition, OPM published the first-ever OPM Data Strategy for FYs 2023–2026 that set goals for the agency to deliver high-quality human capital data products that inform and support critical decision-making for OPM and federal agencies across government. OPM developed a Human Capital Data Analytics Community of Practice to promote knowledge exchange and collaboration on the effective development and use of human capital analytics tools. They also established data champions at each Chief Financial Officer's Act agency to train agencies in the use of these tools and to improve the quality and timeliness of agency data sent to OPM for analysis. However, OPM recently informed the OIG that the team that performed this work has been abolished.

The FY 2020 National Defense Authorization Act directed the OPM Director to contract with the National Academy of Public Administration (NAPA) to conduct an independent study to assess OPM's statutory and non-statutory functions, identify associated challenges, and recommend a course of action to address the challenges including any statutory or regulatory changes needed to implement the recommendations. NAPA issued its report, *Elevating Human Capital: Reframing the U.S. Office of Personnel Management's Leadership Imperative*, in March 2021.

In its study of OPM, NAPA made 23 recommendations: 16 directly to OPM and 7 to Congress. OPM has integrated the actions to respond to the 16 NAPA Study recommendations to OPM into the agency's FYs 2022–2026 Strategic Plan and Annual Performance Plans and continues to make steady progress on addressing the recommendations to OPM. OPM publishes progress

updates in its Annual Performance Report. After the conclusion of FY 2024, OPM planned to assess whether it has achieved each of the strategic objectives in its FYs 2022–2026 Strategic Plan and address the NAPA recommendations integrated into the Strategic Plan. All 16 OPM recommendations continue to remain open. No further updates on the NAPA study recommendations have been made available to the OIG during FY 2025.

GAO is continuing to work with OPM to address the open recommendations, and OPM should continue to fully implement GAO's and NAPA's open recommendations related to this high-risk area.



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