U.S. Office of Personnel Management

Office of the Inspector General

Office of Audits

Final Report

The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2023

October 13, 2022

Executive Summary

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The Purpose of This Report

The Reports Consolidation Act of 2000 requires the Inspector General to identify and report annually the top management challenges facing the agency. This year, we separated the challenges into three overarching categories of challenges facing the U.S. Office of Personnel Management (OPM) – the financial integrity of OPM's trust funds, which impacts OPM's Federal Employees Health Benefits, Life Insurance and Retirement Programs; information technology; and OPM challenges which are Governmentwide.

What Did We Consider?

We identified the issues in these three categories as top challenges because they meet one or more of the following criteria: (1) the issue involves an operation that is critical to an OPM core mission; (2) there is a significant risk of fraud, waste, or abuse of OPM or other Government assets; (3) the issue involves significant strategic alliances with other agencies, the Office of Management and Budget, the Administration, Congress, or the public; and (4) the issue is related to key initiatives of the President.

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What Did We Find?

The Office of the Inspector General identified the following three categories of top management challenges facing OPM:

- Financial Integrity of OPM's Trust Funds;
- Information Technology; and
- Governmentwide Challenges.

Some of these challenges are due to external factors including, but not limited to, shifting demographics, the aging Federal population, and higher utilization of prescription drugs. In addition, some of these challenges involve core functions of OPM that are affected by constantly changing ways of doing business or new ideas, while in other cases they are global challenges every agency must face.

For this year's top management challenges, while budget challenges are always an on-going concern, we dropped the Continuing Shortfall in OPM's Funding as a challenge because the current agency leadership is preparing and submitting budget requests based on its analysis of OPM's future needs and priorities and working toward implementing that vision. In addition, one new area was added, the Postal Service Reform Act of 2022, due to OPM's requirement to develop and implement the Postal Service Health Benefits Program by 2025.

Abbreviations

EO	Executive Order
FEHBP	Federal Employees Health Benefits Program
FY	Fiscal Year
GAO	U.S. Government Accountability Office
IT	Information Technology
NAPA	National Academy of Public Administration
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
PSHBP	Postal Service Health Benefits Program
USPS	U.S. Postal Service

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Top Management Challenges

1. Financial Integrity of OPM's Trust Funds

In addition to the U.S. Office of Personnel Management's (OPM) role as the chief human resources and personnel policy manager for the Federal Government, OPM is responsible for administering Governmentwide benefits for Federal employees and their eligible dependents, annuitants, and survivors. The largest of these benefit programs are the:

- Federal Employees Health Benefits Program (FEHBP);
- Federal Employees' Group Life Insurance Program; and
- Retirement Programs.

Some statistics related to the retirement, health benefits, and life insurance programs include:

- the programs have approximately $1.1 trillion in combined assets held in the three trust funds;
- there are over 8 million participants in the FEHBP and the program made over $59 billion in outlays in FY 2021;
- the retirement programs make more than $83 billion in annual annuity payments to nearly 2.7 million Federal annuitants; and
- FEGLI covers over 4 million Federal employees, retirees, and their eligible family members.

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 employee benefits are ongoing challenges that OPM must address.

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 eight million Federal employees, retirees, and their eligible family members. As discussed in previous years, the increasing cost of health care, especially the cost of prescription drugs, is a national issue affecting not only OPM but the entire United States health care system. It is a challenge for OPM to keep premium rate increases in check while not affecting the level of benefits offered. OPM's budget situation has been challenging in recent fiscal years, and so the agency must work with its stakeholders to prioritize program research and improvements that encourage FEHBP health insurance carriers to provide quality health care with reasonable premium costs. 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 work with its stakeholders to keep improving the FEHBP for Federal employees, retirees, and their eligible family members or eligible dependents.

Prescription Drug Benefits and Costs

As in prior years, drug costs continue to increase in the FEHBP. Currently, total FEHBP drug costs (excluding drugs administered in an inpatient hospital setting) represent approximately 32 percent of total health care costs. Approximately 23 percent of total FEHBP health care costs are attributable to the pharmacy benefit alone (drugs dispensed through outpatient pharmacies). As of 2021, FEHBP pharmacy benefits represented more than $13 billion annually. Most FEHBP carriers report an increase in drug costs per member each year. Greater utilization of existing drugs and the high cost of specialty medications contribute significantly to FEHBP premiums. The average age of FEHBP members is climbing, and prescription drug utilization and costs will continue to increase as a result. Contributing to the rising costs are new pharmaceutical advancements and the exponential growth of specialty drugs and biosimilar agents. An effective, long-term strategy to mitigate and manage FEHBP prescription drug costs, while maintaining overall program value and effectiveness, should be a high-priority area for OPM.

Since the inception of the FEHBP in 1960, pharmacy benefits have been provided via participating FEHBP carriers by administering pharmacy benefits internally, or more often, by carriers contracting separately with a pharmacy benefit manager on behalf of their enrolled population. This means that OPM is not involved in negotiating drug discounts, rebates, administrative fees, or other financial terms with pharmacy benefit managers; the FEHBP carriers are responsible for negotiating these contracts in compliance with OPM's PBM transparency requirements. Due to this minimal involvement, the negotiated fees (which are ultimately borne by the FEHBP) may not always provide the best value to FEHBP members and the American taxpayer.

The Office of the Inspector General (OIG) issued an FEHBP Prescription Drug Benefit Costs Management Advisory Report[1] to OPM's Director about this very topic on February 27, 2020. The Management Advisory Report identified variances among several of the FEHBP fee-for-service carriers with respect to contractual arrangements with pharmacy benefit managers. We found that the discounts and other financial terms differed significantly among carriers, with those that have higher enrollments receiving the best deals, reducing the likelihood that the FEHBP is maximizing prescription drug savings in an annual $59 billion program. Since a study has not been completed in over a decade, the report recommends that OPM conduct a new, comprehensive study by seeking independent expert consultation on ways to lower prescription

[1] *Management Advisory Report - Federal Employees Health Benefits Program Prescription Drug Benefit Costs*, (Report No. 1H-01-00-18-039), issued February 27, 2020.

drug costs in the FEHBP. While OPM supports the concept of a comprehensive prescription drug study and has requested funding for this effort, thus far OPM has not been able to obtain full funding for this study. Therefore, the report recommendations associated with this challenge remain open.

Federal Employees Health Benefits Program Enrollment and Eligibility

The FEHBP is the largest employer-sponsored health care program in the world, covering more than eight million Federal civilian employees, retirees, and their eligible family members. However, the enrollment process for the FEHBP relies on a decentralized, self-certifying process with potential program vulnerabilities to fraud, waste, or abuse.

One risk area is in the enrollment and eligibility of FEHBP members. The OIG has previously noted that identifying ineligible dependents is often difficult. Fraud, waste, or abuse involving ineligible dependents can occur for years before discovery.

This issue remains a top challenge for the FEHBP since first reported in the fiscal year (FY) 2018 Top Management Challenges report. OPM is currently unable to identify or estimate how many ineligible dependents receive benefits from the FEHBP or the total cost to the program from those improper payments. Therefore, the scope of the issue is unknown.

While OPM has some policies intended to keep ineligible beneficiaries from being enrolled in the FEHBP, the OIG believes there are further actions OPM can take to confront this issue.

There is no centralized enrollment portal allowing OPM to manage the enrollment of FEHBP members and eligible dependents. Currently, employing offices at Federal agencies and FEHBP health insurance carriers are responsible for collecting and verifying the documentation to support changes to FEHBP enrollments according to OPM guidance. FEHBP Carrier Letter 2021-06 instructs FEHBP health insurance carriers to require proof of family member eligibility before adding a family member to an existing Self or Family enrollment. There are stricter proof requirements for foster children and common law marriages.

However, as we have previously noted, during Federal Benefits Open Season employing offices may—but are not required to—verify family member eligibility. Open Season is when most changes to health plans are made. This verification exception stops employing offices from being overwhelmed by the volume of changes, but it also creates an obvious gap in OPM's safeguards for ensuring that ineligible beneficiaries are not enrolled in the FEHBP.

As first reported in our Top Management Challenges report for FY 2021, a centralized enrollment portal would potentially help end this vulnerability. OPM has recognized that not having a centralized enrollment portal is an issue and plans to implement a central enrollment program as part of the Postal Services Health Benefits Program (PSHBP). Though more funding would be required to extend this capability to the FEHBP, OPM has stated it plans to learn from the Postal deployment and is pursuing opportunities to extend central enrollment to the entire FEHBP. However, OPM has not been able to sufficiently fund this project or create a timeline to fully develop and implement the much-needed system. Continued improvements to eligibility verification in the current system are beneficial, but a Central Enrollment Portal remains critical to both capturing the scope of ineligible beneficiary-related improper payments and protecting the FEHBP from these improper payments.

Health Benefit Carriers' Fraud and Abuse Programs

Fraud, waste, and abuse remains a threat to the financial integrity of OPM's trust fund programs. Aspects of this challenge are consistent across OPM programs and include:

- Ongoing threats from health care fraud, waste, and abuse perpetrated by bad actors.
- Lack of adequate program controls to support program integrity.
- High costs of improper payments without accurate accounting of improper payment rates.

The FEHBP faces ongoing threats from fraud, waste, and abuse that impact the United States health care system generally. Nationwide health trends or crises, such as the opioid epidemic or the Coronavirus Disease 2019 pandemic, require OPM to act to prevent improper payments while still providing high quality health care benefits to Federal employees, retirees, and their eligible dependents. The FEHBP also continues to face specific, unique challenges because of its nature as a Federal program.

Fraud prevention and program integrity functions in the FEHBP are largely delegated to the FEHBP health insurance carriers. These insurance carriers often further delegate some of that function in a multilayered environment of contractors and subcontractors to entities such as pharmacy benefit managers. These layers can complicate efforts to prevent fraud, waste, abuse, or patient harm while improper payments add costs to the FEHBP.

While recent audits have demonstrated that FEHBP health insurance carriers are generally in compliance with OPM guidance regarding fraud, waste and abuse, we believe that there is still an opportunity for OPM to provide more comprehensive, program-wide oversight by implementing a program integrity unit. This would help OPM take a more global approach to coordinating fraud, waste, and abuse activities amongst the FEHBP carriers and subcontractors. The importance of having such an office is further discussed in a subsequent section of this report, *Stopping the Flow of Improper Payments*.

Postal Service Reform Act of 2022

On April 6, 2022, President Biden signed into law the landmark *Postal Service Reform Act of 2022* (the Act) (Public Law No. 117-108). The law creates a new PSHBP within the FEHBP, establishing new enrollment procedures and benefit programs for the U.S. Postal Service (USPS) employees, annuitants, and eligible family members. The law ends USPS's statutory requirement to annually prefund future retirement health benefits for USPS employees and could reduce the Postal Service's future retiree health liability through Medicare integration by requiring Postal Service annuitants and their eligible family members who are entitled to Medicare Part A to enroll in Medicare Part B. It also requires PSHBP plans to provide prescription drug benefits to Postal Service annuitants and family members who are eligible for Medicare Part D.

Prior to passage, the U.S. Office of Management and Budget (OMB) issued a statement of administration policy supporting the law. Notably, the statement recognized that the creation of the PSHBP "would impose administrative burdens on OPM and the FEHBP." Accordingly, Congress appropriated $70,500,000 (for fiscal year (FY) 2022 until expended) to OPM to implement the requirements of the law. It is critical that OPM ensure that this funding is spent in an efficient and cost-effective manner.

The OMB statement of administration policy also refers to the FEHBP, stating "The Administration looks forward to working with Congress to ensure that the goals of H.R. 3076 [the Act] are met in an efficient, equitable, and cost-effective manner, **while safeguarding the continued stability of the FEHBP**." (emphasis added). OPM is tasked with developing the PSHBP, including hiring staff and developing the program, and having it operational for the 2025 benefit year. OPM will need to issue final regulations by April 2023; develop a new centralized enrollment and decision support system by September 2024; work with health insurance carriers to develop benefits and rates; coordinate with the Social Security Administration and Centers for Medicare and Medicaid Services regarding the special enrollment period; and conduct the first open season for Postal Service employees and annuitants in November and December 2024 for the plan year beginning January 1, 2025.

It will be a challenge to stand up the PSHBP in such a short timeframe, while continuing to ensure that sufficient resources are devoted to the continued management of the FEHBP. The development of the PSHBP also provides OPM the opportunity to update or improve existing systems used to manage the FEHBP, such as establishing a centralized enrollment system and a comprehensive data warehouse to support management decision making. While OPM recognizes it has an opportunity to improve or implement new FEHBP systems, securing funding for these projects continues to be challenge for OPM.

Stopping the Flow of Improper Payments

The Federal Employees Health Benefits Program

OPM has contracted out many of its responsibilities for preventing fraud, waste, and abuse in the FEHBP to the FEHBP health insurance carriers, who may further contract out fraud, waste, and abuse detection to pharmacy benefit managers or other subcontractors. This creates program vulnerabilities that generally lack a global approach to combating the root causes of improper payments in the FEHBP. Not having a centralized source for claims and enrollment data can be an obstacle to identifying widespread fraud trends that can affect the entire FEHBP. OPM has acknowledged that not having a Program Integrity Office dedicated to the identification and assessment of fraud, waste, and abuse is a challenge but has previously cited costs and other constraints as barriers to implementation. The OIG continues, as it has since 2017, to encourage OPM to work with its stakeholders to overcome existing obstacles to the creation of a Program Integrity Office.

The past years of Coronavirus Disease 2019, the opioid epidemic, and general complexities in the health care environment have shown that bad actors will always try to take advantage of the FEHBP, whether through defrauding and harming its beneficiaries or the program itself. The ability to respond to these threats is critical to protect taxpayer dollars and FEHBP members' health. The widespread, entangled, and layered web of fraud, waste, and abuse programs has created vulnerabilities that could potentially be mitigated by a centralized Program Integrity Office.

According to OPM, the FEHBP, across all health insurance carriers, paid $45.8 million in improper payments in FY 2021. The OIG remains concerned with OPM's calculation and tracking of improper payments. OPM previously partially concurred with recommendations related to the calculation of improper payments for both the FEHBP and OPM retirement programs in an April 2020 audit report. The OIG understands that OPM's review of options for potential improvements to calculating the improper payment rate is still ongoing and expected to continue through FY 2022. We look forward to the completion of this review and the update of improper payment calculations so that OPM and the OIG can use the results to better protect the FEHBP.

Efforts to develop a more accurate measure of improper payments within the FEHBP are important in focusing attention and resources to correct the underlying causes, and in directing both OPM's and the OIG's response to fraud trends. As stated three paragraphs above, OPM has stated that constraints on its existing resources are a limiting factor to developing an FEHBP Program Integrity Office.

The gap in fraud, waste, and abuse detection and action between the FEHBP health insurance carriers, their subcontractors, and OPM is itself a risk and limiting factor to protecting the FEHBP. Creating a Program Integrity Office and tasking it with performing data validation functions would improve the FEHBP. The level of trust that OPM must place in FEHBP health insurance carriers because of the decentralized nature of the FEHBP and the lack of a developed Program Integrity function increases the risks of potentially undetected fraud, waste, or abuse harming the FEHBP.

Federal employees, retirees, and their eligible dependents rely on the FEHBP to provide access to quality health coverage with affordable premiums. OPM must continue its efforts to better protect taxpayer dollars from being lost to improper payments and ensure beneficiaries are not harmed in health care matters or financially by fraud, waste, or abuse.

Retirement Programs: Federal Employees Retirement and Civil Service Retirement Systems

In FY 2021, OPM reported $319.81 million in improper payments related to its retirement programs. Like improper payments in the FEHBP, the OIG believes the improper payments in OPM retirement programs may be undercounted.

Information Technology (IT) modernization, as identified elsewhere in this report, remains a major challenge for OPM and a contributing factor to improper payments by OPM retirement programs. The lack of a modernized IT environment and a comprehensive approach to uncovering improper payments, including root cause analysis, presents a major challenge to reducing the hundreds of millions of dollars of improper payments paid out annually.

OPM's Retirement Services now uses the U.S. Treasury Department's Do Not Pay Portal to conduct death matches. It has also incorporated American Info Source and other Do Not Pay Portal data sources into its standard operating procedures. This information was provided in response to a currently open audit recommendation in the *Audit of the U.S. Office of Personnel Management's Utilization of the Improper Payments Do Not Pay Initiative.* While these are positive steps, there is still more work necessary to prevent improper payments in OPM retirement programs.

OPM's intent to modernize its IT infrastructure, move away from or mitigate its legacy IT systems, and otherwise update its retirement processing operations is well known and has been an identified top challenge for years. While that years-long process is ongoing, hundreds of millions of dollars in improper payments will continue to occur due to fraud, waste, or abuse.

It is common for improper payments from OPM retirement programs to continue for years before discovery and resolution. Stronger root cause analysis could help OPM's Retirement Services office quickly identify signs of potential improper payments to spur a closer look for potential action. Preventing additional improper payments is always a goal but utilizing more robust program integrity functions within the current system has direct potential benefits.

Identifying root causes of improper payments under the current IT infrastructure and legacy systems would potentially lead to significant savings of taxpayer dollars lost due to improper payments. The OIG continues to encourage OPM to increase and improve its work to understand the environment of improper payments and improve the long-term efficacy of any IT modernization process.

We have previously encouraged potential program integrity actions such as implementing consistent proactive projects to manage the annuity roll (in addition to current surveys and matches) as a potentially expandable tool for detecting and stopping improper payments.

Limited program integrity infrastructure and operations creates a permissive environment for improper payments. The OIG's Office of Investigations has continued to show results from project-based analysis of retirement files. Work by the Retirement Services' Fraud Branch has similarly shown potential for its analytical work to reduce improper payments, but currently the OIG receives few fraud referrals from Retirement Services. For example, from January to March 2022, we received just eight fraud referrals totaling $916,034 in a program that issues $83 billion a year in annuity payments. Ongoing cooperation with the Retirement Services' Fraud Branch is part of the important partnership between OPM and the OIG to protect the integrity of these important programs.

Risks to the FEHBP from the Opioid Crisis

Opioid and substance abuse disorder continues to be an issue affecting the health of FEHBP enrollees and a challenge for OPM's management of the program. According to the Centers for Disease Control and Prevention's preliminary data for 2021, overdose deaths in the United States rose 15 percent compared to 2020. While many of these overdose deaths are driven by illegal fentanyl and methamphetamine, it is important that OPM's management of the FEHBP includes policies that prevent opioid addiction and enable treatment for FEHBP beneficiaries with opioid use disorder.

Opioid prescriptions present a risky pathway towards abuse when improperly used or prescribed without following medical best practice. OPM has worked with the FEHBP health insurance carriers to promote safer opioid prescribing and usage and must continue to do so.

Recently, a large FEHBP health insurer and its pharmacy benefit manager made the necessary edits to ensure large quantities of opioids could not be filled without prior authorization, an important safeguard to protect patients. This change was based on recommendations from a 2020 OIG audit related to opioid prescribing practices. It is important that OPM, the OIG, and the FEHBP carriers work in partnership to promote safe prescribing practices that still allow patients to receive medically necessary treatment with opioids but pursue criminal, civil, or administrative action against entities that contribute to the opioid crisis through inappropriate or illegal acts.

One of the positive changes that the OIG wants to highlight is OPM's policies designed to increase access to medication assisted treatment and to drugs such as naloxone that are used in cases of opioid overdose. For example, FEHBP Carrier Letter 2021-02 specifically identifies naloxone-based rescue agents as preventive care, which reduces financial barriers for access. We are encouraged that OPM continues to work with the FEHBP health insurance carriers on this issue.

Preventing and treating opioid addiction potentially reduces ancillary costs to the FEHBP from comorbid conditions and other health risks, and it can prevent patient harm. The OIG continues to investigate cases of bad actors prescribing opioids inappropriately and abusive sober homes or other recovery centers that engage in fraud schemes such as body brokering or otherwise fail to promote a safe and healthy environment for rehabilitative treatment.

The OIG understands and appreciates OPM's commitment to fighting opioid abuse and working with FEHBP health insurance carriers to protect beneficiaries. We will continue our oversight of OPM's efforts on this issue to protect FEHBP members and the program.

Retirement Services

OPM is responsible for the administration of the Civil Service Retirement System and the Federal Employees Retirement System, serving nearly 2.7 million annuitants, survivors, and eligible family members, including the United States Postal Service. OPM's Retirement Services program office is responsible for the administration of the retirement program, including making initial eligibility determinations at retirement; adjudication of annuity benefits based on age and service, disability, or death; post-retirement changes due to life events; health and life insurance enrollments; Federal and state tax deductions; as well as other payroll functions. OMB has identified Retirement Services as one of the Federal Government's 35 High-Impact Service Providers.

OPM's FY 2022 - 2026 Strategic Plan, Goal 3, Objective 3.1, focuses on creating a human-centered customer experience 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 diverse needs of OPM’s customers. The goal is to increase OPM’s customer satisfaction index score for targeted services to 4.3 out of 5 and improve the customer satisfaction score to 4.2 out of 5. For the fourth quarter of FY 2021, OPM’s website reported a customer satisfaction score of 3.75.

In an effort to meet its FY 2022 - 2026 Strategic Plan goal, Retirement Services is implementing strategies to strengthen its operations, including:

- Improving customer service delivery of Retirement Services personnel through training and continuous development;
- Developing and upgrading user interfaces, modernizing system components, and enhancing data integration of Retirement Services systems to improve customer service;
- Increasing Agency Benefits Officers’ knowledge through training and collaboration for a seamless transition from their agency to OPM; and
- Strengthening customer engagement with annuitants to enhance the customer experience.

Retirement Claims Processing Backlog

The timely processing and issuance of annuitants’ retirement claims payments is yet another challenge to OPM’s trust fund financial integrity. In FY 2021, OPM paid $83 billion in defined benefits to retirees, survivors, representative payees, and eligible family members. The U.S. Government Accountability Office (GAO) and independent third-party organizations, such as our office, 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 agencies, which have contributed to delays in case processing.

OPM’s retirement backlog is at one of its highest levels since 2014. Over the years, Congressional hearings have been held to address challenges in the retirement system, including the claims backlog. More than ten years ago, in January 2012, Retirement Services released and began implementation of its Strategic Plan, with the goal of adjudicating 90 percent of retirement cases within 60 days beginning in July 2013. In addition, while OPM’s FY 2022 - 2026 Strategic Plan does not contain a specific goal related to retirement services’ case processing, Goal 4 of OPM’s FY 2018 - 2022 Strategic Plan was developed to improve retirement services by achieving an average case processing time of 60 days or less - a goal that has yet to be consistently achieved. Retirement Services’ monthly average case processing time for August

2022 was 87 days. In addition, the retirement claims backlog in August 2022 was 29,237, which is slightly higher than the 28,565 claims in inventory at the same time a year ago.

Coordinating retirement benefits between OPM and other agencies for disability benefits and workers' compensation has remained a problem area for the retirement program. Based on our audit,[2] we found that disability applications are often incomplete when they are received by OPM, which requires further development of cases before they can be moved to the next phase of processing. Further, the legacy case management system requires employees to manually input case information and does not allow Retirement Services to distinguish system coding errors, which can lead to processing delays and inaccuracies. The recommendations from our audit report remain open pending implementation of corrective actions.

OPM should continue to work on obtaining the necessary resources and technology to ensure that the needs of its customers and stakeholders are met.

Retirement Services' Customer Service

The OIG continues to receive contacts and complaints from Federal annuitants and other members of the public who are frustrated by attempts to resolve retirement annuity-related issues with OPM's Retirement Services' customer service office. These calls are primarily received by our OIG fraud hotline.

We had previously suggested OPM restore its ombudsman office as a resource for beneficiaries to receive assistance with common issues that were frequently the subject of calls the OIG Hotline received. While this office was reportedly restarted in May 2021, there remains no active ombudsman currently. Its public-facing email is not active and links on the OPM website associated with the ombudsman return HTTP error 404 (an error commonly returned for a broken or dead link on a website).

We have received information from OPM that the hiring process for an ombudsman is ongoing. We hope that there will be positive effects on customer satisfaction when that process is complete and OPM has that additional venue to address its customer service issues.

Legacy systems and manual processes that we have identified in previous Top Management Challenges reports continue to contribute to customer service issues by increasing the backlog of cases and long processing times that make interim payments necessary. Concerns about interim annuity payments is one of the main topics of the misplaced customer service calls we receive.

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[2] *Final Report on the Audit of the U.S. Office of Personnel Management's Retirement Services Disability Process*, (Report No. 4A-RS-00-19-038), issued October 30, 2020.

The need for a modern, digital retirement system is still essential. It also remains a huge challenge for OPM. Additional customer service staffing and improved operational processes are areas that Retirement Services has noted as viable ways to increase customer satisfaction. The OIG agrees with this, but it is a solution requiring support from Congressional partners and strong planning and development to implement effectively.

Retirement Services' Call Center Issue and Status

We raised the issue of management concerns regarding the Retirement Services' call center, which supports Federal annuitants, in our FY 2020 Top Management Challenges report. The concerns arose from widespread reports of inadequate service and that Retirement Services routinely limited the number of calls placed in the answer queue.

Since then, OPM has improved call center operations by simplifying its Services Online website and improving outreach. This has resulted in reduced call volume for routine inquiries and requests to reset account passwords. OPM's Office of the Chief Information Officer (OCIO) also successfully implemented the Retirement Services 'call center as a service' initiative, which involved transition to a commercial cloud-based call center system. This will provide an integrated host of communication channels such as telephone, web, chat, email, and text. This type of solution can also resolve customer issues, track customer interactions, and provide various performance metrics to improve overall customer service without a heavy investment in hardware and maintenance.

OPM's OCIO also informed us of increased collaboration with Retirement Services to improve operations and the customer experience. For example, a modernized annuity calculator was recently piloted, and an enhanced Online Retirement Application system is being developed. As discussed elsewhere, modernizing the retirement process will have an impact on OPM's ability to provide better customer support to annuitants. While progress is being made, it remains to be seen whether OPM can secure the necessary resources and work together toward a long-term solution that is in the best interest of Federal annuitants and their families.

2. Information Technology

Modernization and Transformation

Since the data breaches in 2015, when the personal information of more than 20 million people was compromised, OPM’s IT security and operations have been a focus of attention for the agency. While OPM has made significant progress toward improving and modernizing its technology environment, many challenges remain including obsolete mission-critical applications, outdated infrastructure and processes, and an ineffective technology business model. OPM’s IT program has also been hampered by inadequate funding and resources for many years.

OPM’s current Chief Information Officer is building on the work of his predecessor and has developed his own vision for IT modernization focused on developing a mature, stable, and consistently implemented IT program on par with industry best practices. The current focus is recruiting an experienced and professional IT workforce, promoting enterprise solutions, and securing the necessary funding. Much of the OCIO senior leadership team is now in place resulting in improved timeliness during audits, a renewed focus on closing recommendations, and creating an audit liaison function within OCIO to facilitate OIG inquiries.

The OCIO has made progress in recruiting IT staff to replace the large number of IT professionals who left OPM during the failed attempt to merge with the General Services Administration. The senior leadership team has been supportive of remote work as a recruitment and retention tool for OCIO to better compete with private sector employers. OCIO management expressed that their employee satisfaction has increased based on recent Federal Employee Viewpoint Survey results.

The OCIO has also promoted an enterprise approach to reduce the complexity of the OPM technical environment and make it easier to secure. The OCIO has initiated a Zero Trust security program and collaborated with stakeholders to implement an agencywide Zero Trust plan. The OCIO has also adopted cybersecurity tools that use machine learning and artificial intelligence to improve the agency’s overall cybersecurity program. To further improve security, the OCIO has implemented its “Get Current, Stay Current” initiative to reduce instances where applications, databases, and operating systems are running on unsupported versions.

While it appears that OPM is making progress toward its modernization goals, significant challenges remain, including the residual impact of the transition of legacy background investigation systems to the Defense Counterintelligence and Security Agency and the need to secure project funding. While the OCIO has made progress continuing to migrate capabilities to the Defense Counterintelligence and Security Agency, the legacy systems will continue to distract OPM from its own goals until at least the end of calendar year 2024.

OPM has not been able to secure the funding needed to achieve its IT modernization goals through the traditional appropriations process and is instead pursuing multiple funding and cost-cutting avenues. OPM was awarded $9.9 million in September 2021 through the Technology Modernization Fund for its Zero Trust networking cybersecurity initiative. OPM has also established an IT working capital fund that allows unobligated year-end money to be converted to three-year funds for IT modernization. The OCIO is further taking steps to convert siloed software licenses to enterprise contracts and moving systems to the cloud to reduce IT costs. While these steps will help OPM, dedicated funding for IT modernization is needed to help OPM reach its IT modernization goals.

Open Audit Recommendations

An important and related challenge for the agency is to take corrective action regarding open, unresolved audit recommendations. In our latest Semi-Annual Report to Congress,[3] we included, as required, a compendium of open recommendations. In this document, we identified a total of 263 IT-related recommendations that have been open for over six months, including 126 unique recommendations.

There are currently 17 categories of open IT-related recommendations. The top five categories are configuration management, security assessment and authorization, contingency planning, audit and accountability, and risk assessment. These five categories account for 69 of the 126 unique open OCIO recommendations. Recommendations have been open in some of these categories for over a decade, persisting through at least 10 acting and permanent OPM Chief Information Officers, 4 administrations, and the OPM data breach in 2015.

However, we would like to acknowledge the renewed commitment to working towards recommendation closure. OPM's Chief Information Officer has dedicated resources and staff to implement corrective action and has incorporated recommendation closure into the performance standards for OCIO senior staff. While we are encouraged by the Chief Information Officer's sentiments and actions taken so far in his short tenure to prioritize outstanding recommendations, the challenge for OPM will be to consistently implement the mature governance and enterprise solutions to properly manage corrective action for internal control weaknesses.

[3] The OPM OIG's Semiannual Report to Congress October 1, 2021 – March 31, 2022, issued June 1, 2022.

3. Governmentwide Challenge

Strategic Human Capital Management

The U.S. Government Accountability Office (GAO) reported in their March 2021 report, *HIGH RISK SERIES, Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas,* that since 2001, strategic human capital management has been on their high-risk list of Governmentwide challenges requiring focused attention. In that report, GAO stated that they have made numerous recommendations to OPM focused on this high-risk area and related human capital issues, 67[4] of which remained open as of November 2020. This report is issued every two years and the high-risk list will be updated in 2023.

In the March 2021 report, GAO suggested that additional progress could be made if OPM were to complete actions to implement open recommendations, such as examining ways to make the general schedule system's design and implementation more consistent with the attributes of a modern, effective classification system. Where OPM is authorized, further action needed includes assessing information on agencies' use of hiring authorities to identify opportunities to refine, consolidate, eliminate, or expand agency specific hiring authorities and implement changes. Since the March 2021 report, OPM reported that they have closed 20 of the 65 recommendations.

Since GAO will issue its report and update its list in 2023, OPM should continue to fully implement GAO's recommendations related to this high-risk area.

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.

As a result, in March 2021, NAPA issued its report, *Elevating Human Capital: Reframing the U.S. Office of Personnel Management's Leadership Imperative.* The report highlighted the important role of human capital management in carrying out agency missions and initiatives and solving complex problems. In the report, NAPA made 23 recommendations to address key findings in three areas: Lack of Sustained Leadership Impedes Mission Execution, Core Mission Functions and Programs, and Supporting Functions Enabling Mission Execution. OPM has closed one of the 23 recommendations.

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[4] GAO subsequently identified an error in the report citing that the number of open recommendations should have only been 65.

OPM's Office of the Director Human Capital Data Management and Modernization asserts that they have " … integrated the actions to respond to the NAPA study recommendations into our OPM FY 2022-2026 Strategic Plan activities and have been making steady progress, including what may be the closure of some of the specific NAPA related activities … [and] will work on capturing an update on any [recommendations] that might be closed."

OPM should continue to fully implement GAO's and NAPA's recommendations related to this high-risk area. Furthermore, OPM should provide the OIG with periodic updates on the status of the NAPA recommendations.

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