U.S. Office of Personnel Management

Agency Financial Report

Fiscal Year 2022

This report is prepared in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

OPM U.S. Office of Personnel Management

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Message from the Director, Agency Financial Report 2022


Kiran Ahuja, Director

It is my pleasure to present the United States Office of Personnel Management's (OPM) Fiscal Year (FY) 2022 Agency Financial Report (AFR), an overview of how we use our financial resources to support the mission, services, and objectives of human resource management in the Federal government. This AFR incorporates the opinion of an Independent Auditor, as well as input from every program office, and we remain committed to being transparent and accountable with our use of resources. In conveying our financial, budget, and performance information, we are most proud to highlight our work advancing diversity, equity, inclusion, and accessibility government-wide; completing our multi-year Trust Fund modernization project; standing up the Postal Service Health Benefits Program; and strengthening our Information Technology audit management activities and controls.

OPM's mission is to serve as a champion of talent for the Federal Government and lead Federal agencies in workforce policies, programs, and benefits in service to the American people. OPM also executes, enforces, and administers the laws governing the civil service, including merit-based and inclusive hiring, in addition to providing agencies with the tools they need to recruit, hire, and retain the best workforce in America. OPM is leading implementation on aspects of President Biden's Diversity, Equity, Inclusion, and Accessibility (DEIA) Executive Order 14035, including the rollout of the Government-wide DEIA Strategic Plan. The Plan helps position the Federal government as a model employer for diversity, equity, inclusion, and accessibility, where all employees are treated with dignity and respect. The plan is also helping to strengthen agencies' ability to recruit, hire, develop, promote, and retain our Nation's talent, remove barriers to equal opportunity, and enable the Federal Government to have a workforce that draws from the diversity of the American people.

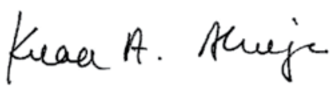
Completing the Trust Fund Modernization was also a significant accomplishment for FY22. OPM migrated from the legacy application responsible for the financial management activities of over $1.1 trillion-dollar trust fund assets to a modernized financial system platform that is managed and maintained by the Department of the Treasury, Bureau of the Fiscal Service's Administrative Resource Center (ARC). The partnership between OPM and ARC is expected to save millions of taxpayer dollars and enable a modernized, secure financial management solution and re-engineered processes to support the administration of the earned benefits program which includes retirement, health, and life insurance. As a result, millions of federal employees, retirees, and their families will have increased confidence in OPM's management of our trust funds and therefore can meet their retirement and healthcare and life insurance needs.

Another priority was standing up the Postal Service Health Benefits (PSHB) Program, a new program within the Federal Employees Health Benefits (FEHB) Program, which will provide health insurance to eligible Postal Service employees, Postal Service annuitants, and their eligible family members starting on January 1, 2025. This agencywide effort touches most OPM organizations as each contributes to systems development, user experience, budget management, regulation development, staff recruitment and hiring, and communications. We look forward to providing progress updates as we set up the PSHB Program.

OPM has made Information Technology (IT) audit management a priority. In addition to continually enhancing our cybersecurity posture, modernizing IT, and daily operations, we are making significant improvements to prevent and remediate notification of findings and recommendations (NFR) that contribute to the IT material weakness. We have established an IT audit management team to manage IT audit fieldwork and to remediate and close prior NFRs. In FY22, we closed 79 NFRs, and we addressed many of the conditions in other NFRs. We are continually reviewing and tracking open audit findings and recommendations and executing corrective action plans. As we will continually refine our IT audit management, governance, and tools, we anticipate addressing underlying conditions, remediating outstanding issues, and further enhancing our internal controls.

Throughout the year, the Federal workforce has demonstrated unwavering dedication and commitment to serve the American people and Federal agencies. I am extremely proud of the services we are delivering, and I look forward to sharing our progress as we continue to administer personnel policies, programs, and benefits and further champion talent for the Federal government.

Sincerely,



Director Kiran Ahuja
Office of Personnel Management
November 14, 2022

Section 1

Management's Discussion and Analysis

(Unaudited—See accompanying Independent Auditors' Report)

Agency Financial Report Overview

As the Federal Government's human resources agency and personnel policy manager, the Office of Personnel Management (OPM) aspires to lead and serve the Federal Government in enterprise human resources management delivering policies and services to achieve a trusted effective civilian workforce, directing human resources policy; promoting best practice in human resource management; administering retirement, healthcare, and insurance programs; overseeing merit-based and inclusive hiring into the civil service, and providing a secure employment process.

OPM operates from its headquarters in the Theodore Roosevelt Federal Office Building at 1900 E Street NW, Washington, D.C., 20415, field offices in 16 locations across the country, and operating centers in Pennsylvania, Maryland, and Georgia. OPM's FY 2022 gross budget, including appropriated, mandatory administrative authorities and revolving fund activities, totaled $2,318,427,433. In FY 2022, the agency had approximately 2,560 full-time equivalent employees. OPM's discretionary budget authority, excluding the Office of the Inspector General, was $339,648,000. For more information about OPM, please refer to the agency's website, **opm.gov**.

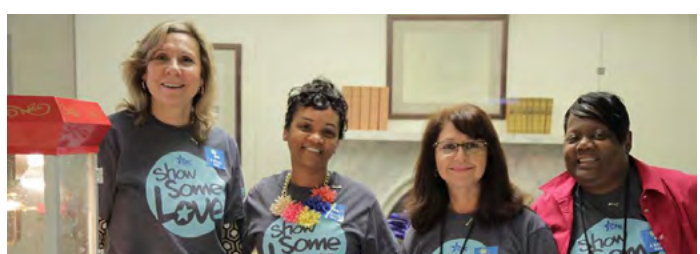
About This Report

The FY 2022 Agency Financial Report (AFR) provides an overview of OPM's financial results to help Congress, the President, and the public assess the agency's stewardship over the financial resources entrusted to it. In February 2023, OPM will publish its FY 2022 Annual Performance Report (APR). The APR will provide an overview of OPM's progress in implementing the strategies and achieving the goals in its FY2022 - FY2026 Strategic Plan.

The AFR provides an accurate and thorough accounting of OPM's financial performance in fulfilling its mission during FY 2022 and meets reporting requirements stemming from laws focusing on improved accountability among Federal agencies and guidance described in the Office of Management and Budget (OMB) Circulars A-11, A-123, and A-136. All reports are available on the OPM website at **OPM's Financial Performance**.

Suggestions for improving this report should be sent to the following address:
U.S. Office of Personnel Management
Financial Services
1900 E Street, NW, Room 5478
Washington, D.C. 20415

Director Ahuja meeting with members of the Atlanta Federal Executive Board.



OPM employees serving at a Combined Federal Campaign event.

OPM's Mission and Strategic Goals

OPM's Strategic Plan is the starting point for performance and accountability. The FY 2022 - 2026 plan details four goals and corresponding objectives to serve as champions of talent for the Federal Government, leading Federal agencies in workforce policies, programs, and benefits in service to the American people. The agency uses a series of performance measures, developed during its annual performance budgeting process, to gauge its progress in implementing the strategies to achieve the goals and objectives in the plan. For the full plan, please refer to **https://www.opm.gov/about-us/strategic-plan/**.

Director Kiran Ahuja with OPM staff at the inaugural FedsWISH Walk on the National Mall as part of the 2022 Feds Feed Families food drive.

Table 1 – Strategic Goals

Strategic Goal	Objective	Objective Statement
Position the Federal Government as a model employer, improving the Government-wide satisfaction index score by 4 points	**1.1**	Achieve a Federal workforce that is drawn from the diversity of America, exhibited at all levels of Government, by supporting agencies in fostering diverse, equitable, inclusive, and accessible workplaces. By FY 2026, increase a Government-wide Diversity, Equity, Inclusion, and Accessibility index score by 6 percentage points.
	1.2	Develop a Government-wide vision and strategy and implement policies and initiatives that embrace the future of work and position the Federal Government as a model employer with respect to hiring, talent development, competitive pay, benefits, and workplace flexibilities.
	1.3	Build the skills of the Federal workforce through hiring and training. By FY 2026, increase the Government-wide percentage of respondents who agree that their work unit has the job-relevant knowledge and skills necessary to accomplish organizational goals by 4 points.
	1.4	Champion the Federal workforce by engaging and recognizing Federal employees and elevating their work. By FY 2026, increase the number of social media engagements on recognition-focused content by 15 percent.
Transform OPM's organizational capacity and capability to better serve as the leader in Federal human capital management	**2.1**	Build the skills of the OPM workforce and attract skilled talent. By FY 2026, increase the percentage of OPM employees who agree that their work unit has the job-relevant knowledge and skills necessary to accomplish organizational goals by 3 percentage points.
	2.2	Improve OPM's relationships and standing as the human capital management thought leader. By FY 2026, increase the percent of CHCOs who strongly agree that OPM treats them as a strategic partner by 23 percentage points.
	2.3	Improve OPM's program efficacy through comprehensive risk management and contract monitoring across the agency. By FY 2026, achieve the OMB-set target for the percentage of spending under category management.
	2.4	Establish a sustainable funding and staffing model for OPM that better allows the agency to meet its mission. By FY 2026, increase the percentage of OPM managers who indicate that they have sufficient resources to get their jobs done by 4 percentage points.
	2.5	Modernize OPM IT by establishing an enterprise-wide approach, eliminating fragmentation, and aligning IT investments with core mission requirements. By FY 2026, increase the percentage of software projects implementing adequate incremental development to 95 percent.
	2.6	Promote a positive organizational culture where leadership drives an enterprise mindset, lives the OPM values, and supports employee engagement and professional growth. By FY 2026, increase OPM's Leaders Lead Score by 3 points.

Strategic Goal	Objective	Objective Statement
Create a human-centered customer experience by putting the needs of OPM's customers at the center of OPM's workforce services, policy, and oversight, increasing OPM's customer satisfaction index score for targeted services to 4.3 out of 5	**3.1**	Enhance the Retirement Services customer experience by providing timely, accurate, and responsive service that addresses the diverse needs of OPM's customers. By FY 2026, improve the customer satisfaction score to 4.2 out of 5.
	3.2	Create a personalized USAJOBS® experience to help applicants find relevant opportunities. By FY 2026, improve applicant satisfaction to 4.1 out of 5 for the desktop platform and to 4.5 out of 5 for the mobile platform.
	3.3	Create a seamless customer and intermediary experience across OPM's policy, service, and oversight functions. By FY 2026, increase the average score for helpfulness of OPM human capital services in achieving human capital objectives to 4.5 out of 5.
	3.4	Transform the OPM website to a user-centric and user-friendly website. By FY 2026, achieve an average effectiveness score of 4 out of 5.
Provide innovative and data-driven solutions to enable agencies to meet their missions, increasing the percentage of users throughout Government who agree that OPM offered innovative solutions while providing services or guidance by 4 points	**4.1**	Foster a culture of creativity and innovation within OPM. By FY 2026, increase the percentage of employees who agree that innovation is valued by 4 points.
	4.2	Increase focus on Government-wide policy work by shifting more low-risk delegations of authorities to agencies.
	4.3	Expand the quality and use of OPM's Federal human capital data. By FY 2026, increase the percentage of CHCO survey respondents who agree that OPM provides agencies with high quality workforce data and information to be used in decision-making by 20 percentage points.
	4.4	Improve OPM's ability to provide strategic human capital management leadership to agencies through expansion of innovation, pilots, and identification of leading practices across Government. By FY 2026, provide Federal agencies with 25 leading practices.
	4.5	Revamp OPM's policy-making approach to be proactive, timely, systematic, and inclusive. By FY 2026, increase the percent of CHCOs who agree that OPM's policy approach is responsive to agency needs by 8 percentage points.
	4.6	Streamline Federal human capital regulations and guidance to reduce administrative burden and promote innovation while upholding merit system principles. By FY 2026, improve CHCO agreement that human capital policy changes resulted in less administrative burden to agencies by 8 percentage points.

OPM's Federal Executive Institute.

Organizational Framework

OPM's divisions and offices and their employees implement the programs and deliver the services that enable the agency to meet its strategic goals and fulfill its statutory mandates. The agency's organizational framework consists of program divisions and offices that both directly and indirectly support the agency's mission.

Office of the Director

- Office of the Executive Secretariat, Privacy, and Information Management
- Office of the General Counsel
- Congressional, Legislative and Intergovernmental Affairs
- Office of Communications
- Security, Suitability, and Credentialing Line of Business
- Human Capital Data Management and Modernization
- Office of Diversity, Equity, Inclusion & Accessibility

- Human Resources
- Office of the Chief Financial Officer
- Office of the Chief Information Officer
- Office of Procurement Operations
- Facilities, Security & Emergency Management
- Office of Small and Disadvantaged Business Utilization
- Equal Employment Opportunity
- Federal Prevailing Rate Advisory Committee
- President's Commission on White House Fellows

Office of the Inspector General

Suitability Executive Agent Programs
- Policy/Strategy
- Oversight
- Operations

Employee Services
- Pay & Leave
- Senior Executive Service and Performance Management
- Accountability and Workforce Relations
- Talent Acquisition and Workforce
- Strategic Workforce Planning

Retirement Services
- Retirement Operations DC
- Retirement Operations Boyers

Healthcare & Insurance
- Program Development and Support
- Federal Employee Insurance Operations
- Office of the Actuaries
- Operations and Resource Management

Merit System Accountability & Compliance
- Agency Compliance and Evaluation
- Combined Federal Campaign
- Internal Oversight & Compliance
- Voting Rights and Resource Management

Human Resources Solutions
- Center for Leadership Development
- Federal Staffing Center
- HR Strategy and Evaluation Solutions
- Human Capital Industry Solutions
- Center for Management Services

This section describes each office and the key roles and responsibilities it plays in contributing to the achievement of OPM's mission. OPM's organizations are categorized into four different types of offices: Executive, Program, Mission Support, and Others, which are detailed below:

Executive Offices

Office of the Director (OD) provides guidance, leadership, and direction necessary to achieve OPM's mission to lead and serve the Federal Government by delivering policies and services to achieve a trusted, effective civilian workforce.

Office of the Executive Secretariat, Privacy, and Information Management (OESPIM) will be established to bring together the complementary functions of the Office of Privacy and Information Management (OPIM) and the Executive Secretariat, which had been in the Office of the Director. OPIM was originally established to elevate and co-locate certain important and complementary subject matter areas and, in so doing, call attention to their significance in the day-to-day business operations of OPM and facilitate proper resource allocation for the work performed. These functions include Privacy; Freedom of Information Act (FOIA); Records Management; Forms Management/ Paperwork Reduction Act; and Controlled Unclassified Information. In the newly established OESPIM, led by a Senior Executive Service (SES) Executive Director, the OPIM functions will be combined with the Executive Secretariat functions, which include responsibility for coordination and review of agency correspondence, policy and program proposals, regulations, and legislation; serving as the agency's regulatory interface with the OMB and the Federal Register; providing administrative and resource management support for the OD and other executive offices; and coordinating OPM's international affairs activities and contacts. In addition, the agency Ombudsman function will be reestablished under OESPIM to provide a neutral, independent, and confidential resource for OPM customers and agency employees who raise issues of concern or complain that their requests are not being addressed in a timely manner.

Office of the General Counsel (OGC) provides legal advice and representation to the Director and OPM managers and leaders so they can work to provide the Federal Government an effective and trusted civilian workforce. OGC does this by rendering opinions, reviewing proposed policies and other work products, and commenting on their legal efficacy, serving as agency representatives in administrative litigation, and supporting the Department of Justice (DOJ) in its representation of the Government on matters concerning the civilian workforce. OGC also carries out several programmatic, substantive functions that fulfill other statutory or regulatory mandates and, thus, benefit other OPM offices or the Executive Branch as a whole. For example, OGC is responsible for promulgating Hatch Act regulations, administers the internal agency Hatch Act and ethics programs, and serves in a policy and legal role in the Government-wide function of determining which Merit Systems Protection Board and arbitral decisions are erroneous and have a substantial impact on civil service law, and, thus, merit judicial review. Further, consistent with the Government in Ethics Act, OGC, along with DOJ, consults with the United States Office of Government Ethics (OGE) on any regulations related to the Standards of Conduct OGE plans to issue. OPM also administers OPM's internal program for handling claims lodged under the Federal Tort Claims Act and other statutes and determines when OPM personnel or documents should be made available in discovery to parties in litigation to which OPM is not a party.

Congressional, Legislative and Intergovernmental Affairs (CLIA) is the OPM office that fosters and maintains relationships with Members of the Congress and their staff. CLIA accomplishes its mission by keeping informed of issues related to programs and policies administered by OPM. CLIA staff attend meetings, briefings, markups, and hearings to interact, educate, and advise agency leadership and the Congress, as well as state and local governments. CLIA is also responsible for supporting congressional efforts through providing technical assistance and substantive responses to congressional inquiries.

Office of Communications (OC) coordinates a comprehensive effort to inform the public of the Administration's and OPM's goals, plans, and activities through various media outlets. The OC provides the American public, Federal agencies, and pertinent stakeholders with accurate information to aid in their planning and decision-making processes. The OC oversees the development of all video products, printed materials, and web content generated by OPM offices. The office develops briefing materials for the Director and other OPM officials for various activities and events. The OC also plans events that amplify the Administration's and OPM's agency and Government-wide initiatives.

Security, Suitability, and Credentialing Line of Business (SSCLoB) is an interagency organization that is administratively housed within OPM. The SSCLoB supports the Security, Suitability, and Credentialing Performance Accountability Council, including the Suitability & Credentialing and Security Executive Agents (the Director of OPM and the Director of National Intelligence). The Council is chaired by OMB's Deputy Director for Management and is accountable to the President for promoting the alignment of personnel vetting processes and driving enterprise-wide reforms. The SSCLoB assists the Council and the Executive Agents – through the Council's Program Management Office – in its personnel vetting mission by identifying/implementing investments, simplifying the delivery of services, and establishing shared services, as well as promoting reciprocity, efficiency, and effectiveness across the enterprise.

Human Capital Data Management and Modernization (HCDMM) was established to lead the Government wide use of human capital data as a strategic asset through innovations in human capital service delivery models, interoperable data management and decision support analytics and tools. HCDMM ensures Federal human capital management data assets are accessible, trustworthy, and meet modern standards for optimal utilization in policy and decision-making for Federal Government Agencies. HCDMM coordinates the strategic management of human capital data across the Federal Government by establishing and overseeing human capital data collection and governance and delivering mission-critical analytical tools and services. HCDMM establishes and continuously modernizes the technology and tools that enable access to timely and accurate workforce data and analytics, achieving a broad strategic vision that encompass the entire employee life-cycle and enables insightful decision-making by leaders across the Federal Government.

HCDMM supports this mission through the collection, management, and utilization of interoperable human capital data through the electronic Official Personnel Folder (eOPF) and the Enterprise Human Resources Integration (EHRI) Data Warehouse linked to Human Resources Line of Business (HRLOB) human capital services models - the Human Capital Business Reference Model (HCBRM), the Human Capital Federal Integrated Framework and the Human Capital Information Model. HCDMM's work encompasses overseeing governance related to human capital data management, including the Federal guides for working with and managing human capital data, requirements for data file submissions to OPM, protocols for human capital data releases, product development, statistical analyses, and data science.

Additionally, OPM was pre-designated by OMB as the Human Resource Quality Service Management Office (HR QSMO) and this function has been placed within HCDMM. The HR QSMO will establish a marketplace of services and products that enable agencies to improve the delivery of human capital activities in alignment with, and by operationalizing, the HRLOB related standards.

Office of Diversity, Equity, Inclusion & Accessibility (ODEIA) provides Government-wide guidance on DEIA efforts including technical assistance to agencies, policy guidance, management of intergovernmental working groups on DEIA and the government wide DEIA strategic plan. ODEIA will primarily focus its actions on externally facing customers and matters but will have an advisory function to senior leaders for internal OPM DEIA efforts.

Program Offices

Employee Services (ES) is OPM's workforce policy shop. ES administers statutory and regulatory provisions related to recruitment, hiring, classification, strategic workforce planning, pay, leave, performance management and recognition, leadership and employee development, reskilling, work/life/wellness programs, diversity and inclusion, labor and employee relations, and the Administrative Law Judges Program. ES does so by equipping Federal agencies with tools, flexibilities, and authorities, as well as forward-leaning strategic workforce planning products to enable agencies to hire, develop, and retain an effective Federal workforce.

Retirement Services (RS) is responsible for the administration of the Federal Retirement Program covering nearly 2.8 million active employees, including the United States Postal Service, and more than 2.7 million annuitants, survivors, and family members. RS also administers, develops, and provides Federal employees, annuitants, and their families with benefits programs and services that offer choice, value, and quality to help maintain the Government's position as a competitive employer. Activities include record maintenance and service credit accounts prior to retirement; initial eligibility determinations at retirement; adjudication of annuity benefits based on age and service, disability, or death based on a myriad of statutes and regulations. Even after a case is adjudicated and added to the annuity roll, OPM continues to serve annuitants by making address or tax status changes to annuitant accounts, sending out 1099-Rs, surveying certain annuitants to confirm their continued eligibility to receive benefits, and conducting other post adjudication activities.

Healthcare and Insurance (HI) includes contracting, program development, and management/oversight functions for the Federal Employees Health Benefits (FEHB) Program (5 U.S.C. § 8901 et seq.; FEHBAR), Federal Employees' Group Life Insurance (FEGLI) Program (5 U.S.C. § 8701 et seq.; LIFAR), the Federal Long-Term Care Insurance Program (FLTCIP) (5 U.S.C. § 9001 et seq.), the Federal Employees Dental and Vision Insurance Program (FEDVIP) (5 U.S.C. Chapters 89A and 89B), and the Federal Flexible Spending Account Program (FSAFEDS) (Internal Revenue Code 26 U.S.C. § 125).

Of note, HI manages the annual Federal Benefits Open Season and implements new plan options, products, services and policies. During Open Season, Federal employees, retirees and their survivors select a health plan which best meets their needs. HI also serves other populations such as Tribal employers in FEHB and TRICARE Retirees in FEDVIP. HI's other responsibilities include adjudicating FEHB claims disputes, assessing health plan quality to impact an insurance carrier's profit, and responding to audit findings. HI is responsible for determining the actuarial liabilities for the Retirement, Health and Life Insurance programs, and HI provides supporting documentation as required by the annual audit of OPM's Consolidated Financial Statements.

Merit System Accountability & Compliance (MSAC) provides rigorous oversight to determine if Federal agency human resources programs are effective and efficient and comply with merit system principles and related civil service regulations. MSAC evaluates agencies' programs through a combination of OPM-led evaluations and as participants in agency-led reviews. The evaluations may focus on all or some of the four systems of OPM's Human Capital Framework: (1) strategic planning and alignment of human resources to mission, (2) performance culture, (3) talent management, and (4) evaluation systems. MSAC reports may identify required corrective actions, which agencies must show evidence of implementing, as well as recommendations for agencies to improve their systems and procedures. MSAC also conducts special cross-cutting studies to assess the use of HR authorities and flexibilities across the Government. Moreover, MSAC reviews and renders decisions on agencies' requests to appoint current or former political appointees to positions in the competitive service, the non-political excepted service, or the senior executive service to verify that such appointments conform to applicable selection requirements and are free of political influence. MSAC is required to report to Congress on its review and determinations concerning these appointments. MSAC also adjudicates classification appeals, job grading appeals, Fair Labor Standards Act claims, compensation and leave claims, and declination of reasonable offer appeals (where the grade or pay is equal to or greater than the retained grade (5 CFR 536.402), all of which provides Federal employees with administrative procedural rights to challenge compensation and related agency decisions without having to resort to seeking redress in Federal courts. MSAC has Government-wide oversight of the Combined Federal Campaign (CFC) and the Voting Rights programs. The mission of the CFC is to promote and support philanthropy through a program that is employee focused, cost-efficient, and effective in providing all Federal employees and annuitants the opportunity to improve the quality of life for all. The Voting Rights Program deploys Federal observers to monitor polling sites (as determined by the Attorney General) and provides written reports to the Department of Justice. Internal Oversight and Compliance serves as the liaison between OPM program offices and oversight groups such as the Office of the Inspector General (OIG) and Government Accountability Office (GAO) and helps to coordinate audit activities to resolve recommendations.

Human Resources Solutions (HRS) provides customized human capital and training products and services to Federal agencies to maximize their organizational and individual performance and to drive their mission results. Utilizing internal human capital experts and/or private sector partners, HRS helps agencies design effective organizations, recruit and hire top talent, develop and cultivate leaders, build Federal human resource professional capability, manage the performance management process, and achieve long-lasting human capital results. HRS operates under the provisions of the Revolving Fund, 5 U.S.C. §1304 (e)(1), that authorizes OPM to perform personnel management services for Federal agencies on a cost reimbursable basis. HRS is a fee-based organization comprised of four practice areas offering a complete range of tailored and standardized human resources products and services, designed to meet the unique and dynamic needs of the Federal Government. These services operationalize Government-wide HR policies and other key human capital initiatives to support agencies' mission critical human capital needs. Much of this work is directed by statute, and other aspects are performed at the option of an agency that engages HRS in this work. HRS provides customer agencies with innovative, high-quality government-to-government and private-sector solutions to help them develop leaders and attract and build a high-quality public sector workforce and achieve long-lasting mission success. This includes recruiting and examining candidates for positions for employment by Federal agencies nationwide; managing the Leadership for a Democratic Society program and other leadership, management, and professional development programs; automating the full range of Federal rules and procedures for staffing, learning, and performance management; operating the USAJOBS® online recruitment employment site; developing specialized assessments and performance management strategies; providing comprehensive HR strategy; providing learning record systems and learning ecosystems and offering Federal customers human capital management, organizational performance improvement, and training and development expertise delivered through best-in-class contracts.

Suitability Executive Agent (SuitEA) was established as a distinct program office within OPM in December 2016 to strengthen the effectiveness of vetting for and determinations of suitability or fitness for Federal employment or to perform work under a government contract and eligibility for credentials (that is, logical and physical access to agency systems and facilities) across the Government. SuitEA prescribes suitability, fitness, and credentialing activities in alignment with, and by operationalizing, the HRLOB related standards and conducts oversight of functions delegated to the heads of agencies while retaining jurisdiction for certain suitability determinations and taking Government-wide suitability actions when appropriate. SuitEA also issues guidelines and instructions to the heads of agencies to promote appropriate uniformity, centralization, efficiency, effectiveness, reciprocity, timeliness, and security in suitability/fitness/credentialing processes. In the wake of the delegation to U.S. Department of Defense (DOD) of investigations relating to suitability, fitness, or credentialing, SuitEA is responsible for setting standards for those investigations and exercising oversight over DOD's performance of those investigations.

Mission Support Services

OPM Human Resources (HR) is responsible for OPM's internal human resources management programs. OPM HR supports the human capital needs of program offices throughout the employment lifecycle, from recruiting and hiring candidates for employment opportunities at OPM, to coordinating career development opportunities, to processing retirement applications. The OPM Chief Human Capital Officer (CHCO) leads HR, and is responsible for shaping corporate human resources strategy, policy, and solutions to workforce management challenges within the agency.

Office of the Chief Financial Officer (OCFO) leads and performs OPM's financial management services, accounting, financial systems, budget, strategic planning, organizational performance management, evaluation, enterprise risk management, and internal controls programs which enable the agency to achieve strategic objectives and mission. Additionally, the OCFO facilitates the completion of timely and accurate financial reports that support decision making, comply with Federal requirements, and demonstrate effective management of taxpayer dollars.

Office of the Chief Information Officer (OCIO) defines the enterprise information technology vision, strategy, information technology policies, and cybersecurity for OPM. The OCIO manages and maintains the enterprise network and network services including the Trusted Internet Connection, wide area network infrastructure, telecommunications, cloud, remote user connectivity, partner access, relevant cloud services, and more than 200 applications that support OPM's business operations. Additionally, the OCIO determines and operates the agency's cybersecurity program and protections. The OCIO also determines the most effective use of technology in support of the agency's strategic plan, including the long-term enterprise strategic architectures, platforms, and applications. The OCIO supports and manages pre- and post-implementation reviews of major information technology programs and projects, as well as project tracking at critical review points. The OCIO provides review and oversight of major information technology acquisitions for consistency with the agency's architecture and the information technology budget and is responsible for the development of the agency's information technology security policies in a manner consistent with Federal law and mandates. The OCIO is responsible for delivering the best of breed productivity tools for the agency's workforce in the hybrid work environment. This includes collaboration tools for video conferencing, enterprise chat and Voice Over IP telephony, and business intelligence tools for all employees. The OCIO also partners with other agencies on Government-wide projects such as IT Modernization, optimizing enterprise services through the OMB Cloud Smart Directive, and developing long-term plans for human resource information technology strategies.

Office of Procurement Operations (OPO) awards and administers contracts and interagency agreements. OPO provides acquisition services to OPM's programs and provides assisted acquisition services in support of other Federal agencies that require support under OPM contracts. OPO is responsible for the agency suspension and debarment program, as well as supports the small business utilization efforts for OPM in accordance with law and OPM contracting policies. The Acquisition Policy and Innovation function within OPO provides acquisition policy development and guidance agency-wide, as well as provides compliance and oversight over OPM's procurement program. OPO provides acquisition support and oversight for all Contracting Officers and Contracting Officer Representatives and manages and provides oversight of the agency purchase card program. OPO serves as OPM's liaison to the Office of Federal Procurement Policy, Chief Acquisition Officers Council, and other key external agency partnerships.

Facilities, Security & Emergency Management (FSEM) manages the agency's personal and real property, building operations, space design and layout, mail management, physical security and safety, and occupational health programs. FSEM provides personnel security, suitability, and national security adjudicative determinations for OPM personnel. FSEM oversees OPM's Personal Identification Verification program and provides shared services in support of other Government agencies' adjudicative programs. FSEM directs the operations and oversees OPM's classified information, industrial security, insider threat, and preparedness and emergency response programs. In addition, it oversees publishing and printing management for internal and external design and reproduction.

Office of Small and Disadvantaged Business Utilization (OSDBU) manages the development and implementation of appropriate outreach programs aimed at heightening the awareness of the small business community to the contracting opportunities available within OPM. The office's responsibilities, programs, and activities are managed under three lines of business: advocacy, outreach, and unification of the business process.

Equal Employment Opportunity (EEO) provides a fair, legally correct, and expeditious EEO complaints process (for example, EEO counseling, Alternative Dispute Resolution, and EEO Complaints Intake, Investigation, Adjudication, and Record-Keeping). EEO also designs and implements all required internal OPM diversity and inclusion efforts, including staff training, to promote diversity management.

Other Offices

Federal Prevailing Rate Advisory Committee (FPRAC) studies the prevailing rate system and other matters pertinent to the establishment of prevailing rates under Subchapter IV of Chapter 53 of Title V, United States Code, and advises the Director of OPM on the Government-wide administration of the pay system for blue-collar Federal employees.

Office of the Inspector General (OIG) is the independent office that conducts comprehensive audits, investigations, and evaluations relating to OPM programs and operations. It is responsible for administrative actions against health care providers that commit sanctionable offenses with respect to the FEHB Program or other OPM programs. The OIG keeps the Director and Congress fully informed about problems and deficiencies in the administration of agency programs and operations, and the need for and progress of corrective action.

President's Commission on White House Fellows was founded in 1964 and is one of America's most prestigious programs for leadership and public service. White House Fellowships offer exceptional young professionals first-hand experience working at the highest levels of the Federal Government. Selected individuals typically spend one year working as a full-time, paid Fellow to senior White House staff, Cabinet Secretaries, and other top-ranking government officials. Fellows also participate in an education program consisting of roundtable discussions with renowned leaders from the private and public sectors. Fellowships are awarded on a strictly non-partisan basis.

FY 2022 Performance Highlights

This section contains performance highlights and costs for each of OPM's four strategic goals. For OPM's complete FY 2022 performance results, please refer to OPM's FY 2022 Annual Performance Report, which will be published in February 2023 at **https://www.opm.gov/about-us/budget-performance/performance/**.

Goal 1: Position the Federal Government as a model employer, improving the Government-wide satisfaction index score by 4 points

Table 2 – Position the Federal Government as a Model Employer – Performance Measure

FY 2022 spending obligations (all funds): $264 million

Key results:

Performance Measure	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2026 Target
Government-wide satisfaction index score	64	65	69	64	62	68

Source: OPM Federal Employee Viewpoint Survey (FEVS)

OPM employees at the 2022 Senior Leader Retreat.

Goal 2: Transform OPM's organizational capacity and capability to better serve as the leader in Federal human capital management

Table 3 – Transform OPM's organizational capacity and capability to better serve as the leader in Federal human capital management – Performance Measure

FY 2022 spending obligations (all funds): $103 million

Key results:

Performance Measure	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2026 Target
Percent of respondents who agree that their work unit has the job-relevant knowledge and skills necessary to accomplish organizational goals	Not included in the OPM FEVS	85	86	81	82	84
Percent of OPM managers who indicate that they have sufficient resources to get their jobs done	46	54	Not included in the OPM FEVS	Not included in the OPM FEVS	Not included in the OPM FEVS	58

Source: OPM Federal Employee Viewpoint Survey

Goal 3: Create a human-centered customer experience by putting the needs of OPM's customers at the center of OPM's workforce services, policy, and oversight, increasing OPM's customer satisfaction index score for targeted services to 4.3 out of 5

Table 4 – Create a human-centered customer experience – Performance Measure

FY 2022 spending obligations (all funds): $137 million

Key results:

Performance Measure	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2026 Target
Customer satisfaction index score for targeted services	Not Available	4.07^	4.10†	4.09	4.07	4.3

Sources: OPM Retirement Services customer experience survey, OPM USAJOBS customer experience survey, OPM human capital community survey

^ Results only include data from the OPM Retirement Services customer experience survey and the OPM USAJOBS customer experience survey. The OPM Retirement Services customer experience survey includes data from Q3 and Q4 FY 2019 only.

† Results only include data from the OPM Retirement Services customer experience survey and the OPM USAJOBS customer experience survey. The OPM Retirement Services customer experience survey includes data from Q1, Q3, and Q4 FY 2020 only.

Goal 4: Provide innovative and data-driven solutions to enable agencies to meet their missions, increasing the percentage of users throughout Government who agree that OPM offered innovative solutions while providing services or guidance by 4 points

Table 5 – Provide innovative and data-driven solutions to enable agencies to meet their missions – Performance Measure

FY 2022 spending obligations (all funds): $39.4 million

Key results:

Performance Measure	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2026 Target
Percent of users throughout Government who agree that OPM offered innovative solutions while providing services or guidance	87	82	88	87	84	91

Source: OPM human capital community survey

Quality of Performance Data

In accordance with the requirements of the Government Performance and Results Modernization Act of 2010, OPM ensures the performance information in its AFR and APR is based on reasonably complete, accurate and reliable data. To promote data quality, OPM's OCFO works with other OPM offices to document and improve data collection, reporting, validation, and verification procedures for performance measures. For additional information on OPM's performance data quality, please refer to OPM's FY 2022 Annual Performance Report, which will be published in February 2023 at **https://www.opm.gov/about-us/budget-performance/performance/**.

Diversity, Equity, Inclusion, and Accessibility (DEIA)

In FY 2022, OPM established a new Office of Diversity, Equity, Inclusion and Accessibility. As a part of the Diversity, Equity, Inclusion and Accessibility (DEIA) Initiative established by Executive Order 14035 Diversity, Equity, Inclusion and Accessibility in the Federal Workforce, the agency and its partners conducted a series of initial outreach meetings with CFO-Act agencies to discuss their agency DEIA strategic plans, learn about agency collaborations, and identify how the DEIA Initiative can support agencies during the next phase of the Executive Order's implementation. OPM provided agencies support in advance of the publication of the plans, including guidance for developing agency DEIA implementation teams. OPM collected agency self-assessments of current DEIA practices and policies. The agency also created a summary fact sheet to serve as a common document to inform all agency DEIA strategic plans and completed reviews of all CFO Act agencies' plans.

Towards its effort to develop a DEIA Index, OPM leveraged agency DEIA strategic plans to collect over 600 measures, and is consolidating and refining the list. OPM also included DEIA-specific items as a part of the FY 2022 OPM FEVS. The agency also held ideation sessions with the DEIA community to identify customers' needs and requirements for the development of Government-wide DEIA Dashboards, in advance of an initial rollout in the third quarter of FY 2022.

In FY 2022, OPM created a draft Chief Diversity Executive Council charter, currently in review, and also established a Government-wide DEIA Learning Community through which the agency hosts learning events for Federal employees working on Federal DEIA initiatives, including agency DEIA implementation team members, as well as DEIA, Equal Employment Opportunity, and HR practitioners. As a part of these efforts, OPM instituted bi-weekly Office Hours for Federal DEIA practitioners, and established a DEIA newsletter to provide updates on the latest information and resources to support agencies' DEIA efforts.

Analysis of OPM's Financial Statements

In accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994, OPM prepares consolidated and consolidating financial statements, which include OPM operations, as well as the individual financial statements of the Retirement, Health Benefits, and Life Insurance Programs. These statements are audited by an independent certified public accounting firm, Grant Thornton LLP. For the 23rd consecutive year, OPM received an unmodified audit opinion on its consolidated financial statements and the consolidating financial statements including the Retirement, Health Benefits, and Life Insurance Programs. These consolidated and consolidating financial statements are:

- Balance Sheet
- Statement of Net Cost
- Statement of Changes in Net Position
- Statement of Budgetary Resources

Balance Sheet

The Balance Sheet is a representation of OPM's financial condition at the end of the fiscal year. It shows the resources OPM holds to meet its statutory requirements (*Assets*); the amounts it owes that will require payment from these resources (*Liabilities*); and, the difference between them (*Net Position*).

Assets

At the end of FY 2022, OPM held $1,139.5 billion in assets, an increase of $21.0 billion from $1,118.5 billion at the end of FY 2021. The majority of OPM's assets are intragovernmental, representing claims against other Federal entities. The Balance Sheet separately identifies intragovernmental assets from all other assets.

The largest category of assets is investments at $1,131.7 billion, which represents 99.3 percent of all assets. OPM invests all Retirement, Health Benefits, and Life Insurance Program collections not needed immediately for payment in special securities issued by the U.S. Treasury. As OPM routinely collects more money than it pays out, its investment portfolio and its total assets, in normal years, usually both grow.

OPM OCFO/Financial Services Employees at the Theodore Roosevelt Building (TRB).

In FY 2022, the Total Earned Retirement Program Revenue was less than the applicable cost applied to the Pension Liability by $18.6 billion. When the net effect is favorable, the Retirement Program has the ability to reinvest interest earnings and apply the excess funds to the Treasury Transferred-In to subsidize the underfunding of the Civil Service Retirement System (CSRS). The CSRS transfer was a total of more than $34.3 billion for FY 2022.

Liabilities

At the end of FY 2022, OPM's total liabilities were $2,969.8 billion, an increase of 9.3 percent from $2,717.9 billion at the end of FY 2021. Federal Employee Benefits Payable, which primarily consists of Pension Liability, Post-Retirement Health Benefits Liability, and Life Insurance Liability, accounts for 99.9 percent of OPM's liabilities. [See below and Note 5 Federal Employee Benefits for discussion of these liabilities.] These liabilities reflect estimates by professional actuaries of the future cost, expressed in today's dollars, of providing benefits to participants in the future.

To compute these liabilities, the actuaries make assumptions about the future economy and about the demographics of the future Federal employee workforce and annuitants, retirees and their survivors' populations.

The *Pension Liability*, which represents an estimate of the future cost to provide CSRS and FERS benefits to current employees and annuitants, is $2,479.0 billion at the end of FY 2022, an increase of $248.4 billion, or 11.1 percent from the end of FY 2021. [See discussion of the Net Cost to Provide CSRS and FERS Benefits below].

The *Post-Retirement Health Benefits Liability*, which represents the future cost to provide health benefits to active employees after they retire and current annuitants, is $411.6 billion at the end of FY 2022. This reflects a decrease of approximately $1.3 billion from the amount at the end of FY 2021, or 0.3 percent. [See discussion of the Net Cost to Provide Health Benefits below].

The *Actuarial Life Insurance Liability* is different from the Pension and Post-Retirement Health Benefits Liabilities. Whereas the other two are liabilities for "post-retirement" benefits only, the Actuarial Life Insurance Liability is an estimate of the future cost of life insurance benefits for both deceased annuitants and for employees who die in service. The Actuarial Life Insurance Liability increased by approximately $2.5 billion in FY 2022 to $61.2 billion, or 4.3 percent from the end of FY 2021. [See discussion of the Net Cost to Provide Life Insurance Benefits below].

Actuarial Gains and Losses

Due to actuarial gains and losses, OPM's Net Cost to Provide Retirement, Health Benefits, and Life Insurance Benefits can vary widely from year to year. Actuarial gains decrease OPM's Net Cost, while actuarial losses increase it.

In computing the Pension, Post-Retirement Health Benefits, and Actuarial Life Insurance Liabilities, OPM's actuaries must make assumptions about the future. When the actual experience of the Retirement, Health Benefits, and Life Insurance Programs differs from these assumptions, as it generally will, actuarial gains and/or losses will occur. For example, should the Cost of Living Adjustment factor (COLA) increase be less than the actuary assumed, there will be an actuarial experience gain. A decrease in the assumed future rate of inflation would produce a gain due to a revised actuarial assumption.

Net Position

OPM reports its Federal employees' benefit programs funds in accordance with Statement of Federal Financial Accounting Standard (SFFAS) 43, *Funds from Dedicated Collections*: Amending SFFAS 27, *Identifying and Reporting Earmarked Funds*. This Statement among other provisions, adds "an explicit exclusion for any fund established to account for pensions, other retirement benefits (ORB), other postemployment benefits (OPEB), or other benefits provided for Federal employees (civilian and military)."

OPM's Net Position is classified into two separate balances. The Cumulative Results of Operations comprises OPM's net results of operations since its inception. Unexpended Appropriations is the balance of appropriated authority granted to OPM against which no outlays have been made.

OPM's total liabilities exceeded its total assets at the end of FY 2022 by $1,830.2 billion, primarily due to the large actuarial liabilities and a $18.1 billion allowance for doubtful accounts for U.S. Postal Service (USPS). However, it is important to note that the Retirement, Health Benefits, and Life Insurance Programs are funded in a manner that ensures there will be sufficient assets available to pay benefits well into the future. See Table 6 – Net Assets Available for Benefits – shows that OPM's net assets available to pay benefits have increased by $18.8 billion in FY 2022 to $1,121.7 billion.

Table 6 – Net Assets Available for Benefits

The amounts in the table are in billions.

Net Assets Available for Benefits	FY 2022	FY 2021	Change
Total Assets	$1,139.5	$1,118.5	$21.0
Less "Non-Actuarial" Liabilities	17.8	15.6	2.2
Net Assets Available to Pay Benefits	$1,121.7	$1,102.9	$18.8

Statement of Net Cost

The Statement of Net Cost (SNC) in the Federal Government is different from a private-sector income statement in that the SNC reports expenses first and then subtracts the revenues that financed those expenses to arrive at a net cost.

OPM's SNC presents its cost of providing four major categories of benefits and services: Civil Service Retirement and Disability Benefits (CSRS and FERS), Health Benefits, Life Insurance Benefits, and HR Services. OPM derives its Net Cost by subtracting the revenues it earned from the gross costs it incurred in providing each of these benefits and services.

OPM's total FY 2022 Net Cost of Operations was a loss of $291.4 billion, as compared with a loss of $189.6 billion in FY 2021. The primary reasons for the reduction in net loss are due to changes in the actuarial assumptions.

Net Cost to Provide CSRS Benefits

As indicated in Table 7, the Net Cost of Operations for CSRS Benefits was $132.8 billion in FY 2022, an increase of $30.2 billion from FY 2021. As reported on the SNC, there was a current year loss of $45.5 billion for CSRS due to changes in actuarial assumptions, primarily a decrease to the assumed long-term interest rate and an increase to the assumed long-term inflation rate. The actuarial loss due to experience is primarily due to actual annuitant COLAs.

There are three prime determinants of OPM's cost to provide net CSRS benefits: one cost category - the actuarially computed Pension Expense, and two categories of earned revenue: 1) contributions by and for CSRS participants, and 2) earnings on CSRS investments. The Pension Expense for the CSRS is the amount of future benefits earned by participants during the current fiscal year, including net actuarial losses and interest costs on the accrued actuarial liability.

Contributions by and for CSRS participants increased in FY 2022 by $1.2 million from FY 2021 and OPM's earnings on CSRS investments declined by approximately $707.1 million from the prior fiscal year.

Table 7 – Net Cost to Provide CSRS Benefits

The amounts in the table are in billions.

Net Cost to Provide CSRS Benefits	FY 2022	FY 2021	Change
Gross Cost	$94.6	$65.2	$29.4
(Gain)/Loss on Pension, ORB or OPEB Assumption Changes	45.5	34.2	11.3
Associated Revenues	7.2	6.7	0.5
Net Cost of Operations	$132.9	$92.7	$40.2

Current pension benefits paid are applied to the Pension Liability and, therefore, do not appear on the Statement of Net Cost; however, SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, requires gains and losses from changes in long-term assumptions to be displayed on the statement of net cost separately from other costs. OPM's CSRS benefits expense was $27.2 billion in FY 2022, as compared to the $29.9 billion in FY 2021. The decrease in benefits paid is due to both the lower service cost and decrease in interest expense.

Net Cost to Provide FERS Benefits

As shown in Table 8, the Net Cost to Provide FERS Benefits in FY 2022, increased by $19.2 billion from FY 2021 resulting in a Net Cost of Operations of $137.5 billion for the FY 2022. As with the CSRS, there are three prime determinants of OPM's net cost to provide FERS benefits: one cost category: the actuarially computed Pension Expense; and two categories of earned revenue: 1) contributions by and for participants, and 2) earnings on FERS investments. The Pension Expense for FERS is the amount of future benefits earned by participants during the current fiscal year, including net actuarial losses and interest costs on the accrued actuarial liability.

For FY 2022, OPM incurred a Pension Expense for FERS of $116.7 billion, as compared with $93.0 billion in FY 2021. The primary reason for the increase in FERS pension expense was a larger loss due to changes in long-term actuarial economic assumptions. There was an actuarial loss of $90.7 billion in FY 2022 primarily due to a lower assumed long-term rate of interest and greater assumed longer term rates of annuitant costs of living and general salary increases. The FY 2022 Pension Expense also reflected an experience loss primarily due to actual COLA rates being greater than assumed rates.

Contributions by and for FERS participants increased by $3,835 million, or 8.1 percent from the prior FY 2021, due to the increase in FERS payroll primarily as a result of general salary increases.

Table 8 – Net Cost to Provide FERS Benefits

The amounts in the table are in billions.

Net Cost to Provide FERS Benefits	FY 2022	FY 2021	Change
Gross Cost	$117.7	$94.4	$23.3
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	90.7	42.6	48.1
Associated Revenues	70.9	66.8	4.1
Net Cost of Operations	$137.5	$70.2	$67.3

Due to accounting standards, current pension benefits paid are applied to the Pension Liability and therefore, do not appear on the Statement of Net Cost. In FY 2022 OPM paid FERS benefits of $26.6 billion, compared with $23.4 billion in FY 2021. The increase is due to the growing number of FERS retirees.

Net Cost to Provide Health Benefits

The Net Cost to Provide Health Benefits in FY 2022 decreased by $6.6 billion from that in FY 2021, see Table 9. There are three prime determinants of OPM's net cost to provide Health Benefits: two cost categories: the actuarially computed Post-Retirement Health Benefits Expense (see Note 5B Table 24), and Current Benefits and Premiums, and one earned revenue category: contributions by and for participants.

Table 9 – Net Cost to Provide Health Benefits

The amounts in the table are in billions.

Net Cost to Provide Health Benefits	FY 2022	FY 2021	Change
Gross Cost	$50.6	$65.4	$(14.8)
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	10.6	7.0	3.6
Associated Revenues	42.7	47.4	(4.7)
Net Cost of Operations	$18.5	$25.0	$(6.50)

Current Benefits and Premiums increased for FY 2022. The contributions (for and by participants) increased by $3,517 million from FY 2021 to FY 2022.

Due to accounting standards, a portion of the costs to provide health benefits is netted against the PRHB Liability and not fully disclosed on the Statement of Net Cost. The actual costs to provide health benefits are presented in Table 10.

Table 10 – Disclosed and Applied Costs to Provide Health Benefits

The amounts in the table are in billions.

Disclosed and Applied Costs to Provide Health Benefits	Disclosed	Applied to PRHB	Total FY 2022	Total FY 2021
Claims	$39.2	$13.2	$52.4	$49.3
Premium Expense	4.4	1.9	6.3	6.5
Administrative Expense and Other	$2.0	$1.4	$3.4	$3.8

Net Cost to Provide Life Insurance Benefits

As seen in Table 11, the Net Cost (Net Income) to Provide Life Insurance Benefits increased from a Net Cost of $1.6 billion in FY 2021 to Net Cost of $2.1 billion in FY 2022. Gross Cost increased $0.2 billion for FY 2022 as compared to FY 2021, with an actuarial loss of $1.1 billion. The Associated Revenues were $4.7 billion in FY 2021 and $4.5 billion in FY 2022 for a decrease of $0.2 billion. In applying SFFAS 33 for calculating the Actuarial Life Insurance Liability (ALIL), OPM's actuary used salary increase and interest rate yield curve assumptions consistent with those used for computing the CSRS and FERS Pension Liability in FY 2022 and FY 2021. This entails determination of a single equivalent interest rate that is specific to the ALIL. The rate of increases in salary assumptions were higher for FY 2022 as compared to FY 2021.

Table 11 – Net Cost to Provide Life Insurance Benefits

The amounts in the table are in billions.

Net Cost to Provide Life Insurance Benefits	FY 2022	FY 2021	Change
Gross Cost	$5.3	$5.2	$0.1
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	1.3	1.1	0.2
Associated Revenues	4.5	4.7	(0.2)
Net Cost (Income) of Operations	$2.1	$1.6	$0.5

Statement of Budgetary Resources

In accordance with Federal statutes and implementing regulations, OPM may incur obligations and make payments to the extent it has budgetary resources to cover such items. The Statement of Budgetary Resources (SBR) presents the sources of OPM's budgetary resources, their status at the end of the year, obligated balances, and the relationship between its budgetary resources and the outlays it made against them.

As presented in the SBR, a total of $302.5 billion in budgetary resources was available to OPM for FY 2022, OPM's budgetary resources in FY 2022 included $74.6 billion (24.7 percent) carried over from FY 2021, plus three major additional sources:

- Appropriations Received = $161.9 billion (53.5 percent)
- Trust Fund receipts of $122.9 billion, less $21.5 billion not available = $101.4 billion (33.5 percent)
- Spending authority from offsetting collections (SAOC) = $66.0 billion (21.8 percent)

Total budgetary resources do not include $24.8 billion of Trust Fund receipts for the Retirement obligations pursuant to public law.

In addition, in accordance with P.L. 109-435, contributions for the PSRHB Fund of the Health Benefits Program are precluded from obligation and therefore temporarily not available; the total is $35.6 billion.

Appropriations are funding sources resulting from specified Acts of Congress that authorize Federal agencies to incur obligations and to make payments for specified purposes. OPM's appropriations partially offset the increase in the Pension Liability in the Retirement Program, and fund contributions for retirees and survivors who participate in the Health Benefits and Life Insurance Programs. See Tables 12 and 13 for information on Sources of Budgetary Resources and Obligations Incurred by Program.

Table 12 – Sources of Budgetary Resources

Source	FY 2022	FY 2021
Trust Fund Receipts	33.5%	32.8%
Balance Brought Forward from Prior Year	24.4%	25.3%
Spending Authority from Offsetting Collections	21.5%	21.6%
Appropriations	20.0%	20.3%

Trust Fund Receipts are Retirement Program and PSRHB Fund contributions and withholdings from participants, and interest on investments. Spending Authority from Offsetting Collections includes contributions made by and for those participating in the Health Benefits and Life Insurance, and revenues in Revolving Fund Programs.

Table 13 – Obligations Incurred by Program

Obligation	FY 2022	FY 2021
Retirement Benefits	62.6%	62.4%
Health Benefits	35.0%	35.1%
Life Insurance Benefits	1.9%	1.8%
Other	0.6%	0.7%

From the $302.5 billion in budgetary resources OPM had available during FY 2022, it incurred obligations of $229.5 billion less the $46.3 billion transferred from the Treasury's General Fund (see Note 1G) for benefits for participants in the Retirement, Health Benefits and Life Insurance Programs. The $35.6 billion in the PSRHB Fund of the Health Benefits Program is precluded from obligation. Most of the excess of budgetary resources OPM had available in FY 2022 over the obligations it incurred against those resources is classified as being "unavailable" for obligation at year-end.

In response to COVID-19, in FY 2020, OPM received approximately $12.1 million as a supplemental appropriation in a two-year appropriation through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136). The intent of those additional resources was to prevent, prepare for, and respond to limitations imposed by the coronavirus. For 2020, a total of $10.9 million obligations were incurred. For FY 2021, a total of $0.5 million obligations were incurred leaving an unobligated balance of $0.7 million available in FY 2022 with a total fund balance with Treasury of $1.5 million, after which those remaining funds will expire. Please refer to Note 16 for further information.

Analysis of OPM's Systems, Controls, and Legal Compliance

This section provides information on OPM's compliance with the following legislative mandates:

- Federal Managers' Financial Integrity Act (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Prompt Payment Act
- Debt Collection Improvement Act (DCIA)
- The Payment Integrity Information Act (PIIA)
- Inspector General Act, as amended
- Civil Monetary Penalty Act
- Federal Information Security Modernization Act (FISMA)
- Compliance with Other Key Legal and Regulatory Requirements

Director Kiran Ahuja during the Wall of Honor Wreath Laying Ceremony.

Management Assurances

Office of Personnel Management

FY 2022 Statement of Assurance

The Office of Personnel Management (OPM) is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act* (FMFIA). OPM conducted its assessment of risk and internal control in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Agency can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2022, except for the material weaknesses described in Exhibit A.

The *Federal Financial Management Improvement Act* (FFMIA) requires agencies to implement and maintain financial management systems that are in substantial compliance with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. Other than the non-conformance with financial management system requirements noted in Exhibit B, OPM can provide reasonable assurance that it complies with FFMIA.

Kiran A. Ahuja

Kiran A. Ahuja
Director

11/14/2022
Date

Compliance with the Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA requires agencies to establish internal control and financial systems that provide reasonable assurance that the following objectives are achieved:

- Effective and efficient operations,
- Reliable financial reporting, and
- Compliance with applicable laws and regulations.

FMFIA requires that agencies conduct evaluations of their systems of internal control and annually provide reasonable assurance to the President and the Congress on the adequacy of those systems. OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, provides the implementing guidance for FMFIA and provides guidance to federal managers on improving accountability and effectiveness of federal programs as well as mission-support operations through implementation of Enterprise Risk Management (ERM) practices and by establishing, maintaining, and assessing internal control effectiveness. The Circular emphasizes the need to integrate and coordinate risk management and strong and effective internal control into existing business activities and as an integral part of managing an Agency. In addition, OMB Circular A-123, Appendix A, Management of Reporting and Data Integrity Risk (Appendix A), contains specific requirements for agencies to assess internal control over reporting. OPM's Risk Management Council (the "Council") oversees the Agency's internal control program. The Council is chaired by the Chief Management Officer and includes senior representatives from all major OPM organizations. The Risk Management and Internal Control group (RMIC) within the OCFO has primary responsibility for coordinating the annual assessment of internal control.

OPM employs a multi-pronged approach to evaluating its systems of internal control over Agency operations, reporting, and compliance with applicable laws and regulations. Under the oversight of the Risk Management Council, office heads conducted self-assessments of the internal controls under their purview and provided an assurance statement detailing whether their internal control systems met the requirements of FMFIA. This included an assessment of entity level controls. As part of the assessment, each business unit assessed its controls against the 17 internal control principles from the GAO Standards for Internal Control in the Federal Government. As part of the overall assessment, RMIC reviewed these submissions along with applicable reports of audits performed by the OIG and GAO throughout the reporting period to determine if there were other material weaknesses that should be reported in the assurance statement. Finally, in accordance with Appendix A, OPM assessed the effectiveness of its internal controls to support reliable reporting through testing the design and operating effectiveness of key internal controls over internal and external financial and non-financial reporting.

Appendix A also requires that agencies develop and maintain a Data Quality Plan (DQP) that considers the incremental risks to data quality in federal spending data and any controls that would manage such risks in accordance with OMB Circular No. A-123. As part of our assessment of internal control over reporting objectives, RMIC conducted a test of the operating effectiveness of key controls contained in OPM's DQP.

Exhibit A – Summary of Material Weaknesses

Information Security Governance Program

In its audit of OPM's compliance with FISMA, OIG reported that in FY 2022, OPM's cybersecurity maturity level is measured as "3 - Consistently Implemented". While continued maturity is necessary, OPM made significant progress in FY 2022 closing 29 prior recommendations.

OIG stated that the FY 2022 FISMA Inspector General reporting metrics use a maturity model evaluation system derived from the National Institute of Standards and Technology's Cybersecurity Framework. The Cybersecurity Framework is comprised of nine "domain" areas and the modes (i.e., the number that appears most often) of the domain scores are used to derive the agency's overall cybersecurity score. These nine domains are broad cyber security control areas used to assess the effectiveness of the information security policies, procedures, and practices of the agency. Each domain is comprised of a series of individual metrics, which are the specific controls that they evaluate and test when assessing the agency's cybersecurity program. Each metric receives a maturity level rating of 1-5.

Information System Control Environment

In FY 2022, OPM's Independent Auditor reported deficiencies in various aspects of OPM's information systems control environment, including in the areas of Security Management, Logical Access, Configuration Management and Interface / Data Transmission Controls. The information system issues identified in FY 2022 included repetitive conditions consistent with prior years, as well as new deficiencies. Yet, OPM has made significant progress to remediate the remaining issues that contribute to the material weakness. OPM closed 11 Financial Statement recommendations and 7 Notice of Findings and Recommendations in FY 2022. Due to the continued existence of these deficiencies and minimal new deficiencies, they are reported collectively as a material weakness in OPM's internal control over financial reporting.

OPM is committed to assessing each condition contributing to these material weaknesses and will develop an appropriately risk-based, cost-effective plan to address each condition.

Compliance with the Federal Financial Management Improvement Act (FFMIA)

Financial Management Systems

The Federal Financial Management Improvement Act of 1996 (FFMIA) was established to ensure that Federal financial management systems provide accurate, reliable, and timely financial management information to the Federal Government managers and leaders. Further, the Act required this disclosure be done on a basis that is uniform across the Federal Government from year to year by consistently using professionally accepted accounting standards. Specifically, FFMIA requires each agency to implement and maintain systems that comply substantially with:

- Federal Government financial management systems requirements.
- Applicable Federal Government accounting standards.
- The United States Government Standard General Ledger (USSGL) at the transaction level.

OPM completed an assessment of the systems of internal control against the FFMIA guidelines. OPM determined that for FY 2022, except for the financial management systems requirements, as noted in Exhibit B. OPM complies with all FFMIA requirements regarding Federal Financial Accounting Standards, and application of the USSGL. The objectives of our assessment were to ensure that our financial systems achieve their intended results. The results also indicated that OCFO was consistent with FFMIA guidelines and OPM's mission to provide reliable and timely information for agency decision making.

In addition, our resources were used consistent with OPM's mission and are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets; and reliable and timely information was maintained, reported, and used for decision making. OCFO financial information systems continue to support OPM's strategic goal to "Exceed the Government-wide average satisfaction score for each agency mission support service" through identifying, building, and managing financial management solutions that sustains OPM's mission, objectives, and overall government requirements.

FFMIA requires management to ensure OPM's financial management systems consistently provide reliable data that comply with federal financial management system requirements, applicable federal accounting standards, and the USSGL at the transaction level. Appendix D to OMB Circular A-123, Compliance with the FFMIA, and OMB Circular A-130, Managing Federal Information as a Strategic Resource, provide specific guidance to agency managers when assessing conformance to FFMIA requirements.

OPM's vision for its financial systems is to provide accurate financial management information to internal and external stakeholders to support data-driven decision making, promote sound financial management, and enhance financial reporting and compliance activities. This vision aligns to the agency strategic priority to "provide innovative and data-driven solutions" that enable the agency to deliver our mission. The agency uses the following core financial management applications:

- Federal Financial System (FFS), the mainframe-based system used for trust fund accounting and financial management activities. FFS is targeted to be decommissioned in FY 2023.
- DELPHI, the financial system platform provided by the Department of Transportation (DOT), Federal Aviation Administration, Enterprise Service Center (ESC), for processing financial data.

OPM leverages the DELPHI platform for financial transaction processing as well as reporting and analysis to support management of the agency's Salaries & Expense and Revolving Funds. In FY 2022, OPM, through an effective partnership with ESC, managed implementation efforts for the following system enhancements:

- An integrated solution with the Department of Treasury, Bureau of Fiscal Service's G-Invoicing application to DELPHI users to meet the governmentwide mandate deadline of October 2022. This long-term solution will allow OPM to better manage interagency agreements (IAAs) with a common data standard and the expectation that intragovernmental financial differences will significantly decrease.
- Started enablement of a Miscellaneous Expense module that will eliminate manual processing of miscellaneous expenses (e.g., parking fees, mailing fees, etc.) while allowing a mechanism to provide quick processing of expense reports for payment.
- Supported the ESC's Reporting Improvement Program that will provide users with a new reporting tool with modernized ad hoc functionality and data visualization capabilities for faster and deeper insights into financial activity.

OPM continued to leverage the FFS and related subsystems to manage accounting and financial management activities related to the trust funds for the federal earned benefit program. As a legacy mainframe system, FFS is 30 years old with limited support. This prevents the system from adapting to the changing business needs and often requires manual processes. To mitigate these risks, OPM initiated a multi-release modernization effort to migrate trust funds accounting functionality including core financial management and investment management capabilities to the shared service provider platform provided by the Department of Treasury, Bureau of Fiscal Service, Administrative Resource Center (ARC). This migration effort aligns with the GSA/Unified Shared Services Management (USSM) M3 Framework which help agencies achieve successful outcomes and reduce risk during administrative system and/or service modernizations and migrations. Since FY 2021, OPM has continued executing migration activities including detailed requirements gathering, functional and technical design, system configurations and enhancements, system testing, and data conversion.

In FY 2023, OPM will migrate FFS to the Treasury ARC Integrated Oracle Solution (AIOS). With this transition, OPM financial accounting platform will be entirely under a shared services model, leveraging modern financial management systems. As a customer of Treasury ARC, OPM financial system for Trust Funds will be Financial Systems Integration Office (FSIO) certified, with no internal findings on FMFIA financial reporting, and no FISMA related findings. The Treasury ARC financial solution allows OPM to leverage the latest technology and adhere to standardized Federal accounting standards. The Treasury ARC solution also includes the Oracle Business Intelligence (OBI) reporting tool, which offers standard financial management reports that comply with Federal accounting standards.

Exhibit B – Non-Conformance with Financial Management System Requirements

Information System Control Environment

The Agency determined that the material weakness related to the information systems control environment described in Exhibit A represents a non-conformance with Federal financial management system requirements. OPM will continue to actively pursue corrective actions to mitigate the deficiencies.

Compliance with the Inspector General Act

The Inspector General Act, as amended, requires agencies to report on the final action taken with regard to audits by its Office of the Inspector General. OPM is reporting on audit follow-up activities for the period October 1, 2021 through September 30, 2022 Table 14 – Inspector General Audit Findings provides a summary of OIG's audit findings and actions taken in response by OPM management during this period.

Table 14 – Inspector General Audit Findings

FY 2022	Number of Reports	Questioned Costs ($ in Millions)
Reports with no management decision on October 1, 2021	3	$15.2
New reports requiring management decisions	11[1]	10.6
Management decisions made during the year	7	8.6
Net disallowed costs	–	8.5[2]
Net allowed costs	–	0.0[3]
Reports with no management decision on September 30, 2022	7	17.3

[1] The number of new reports requiring a management decision represents reports with monetary recommendations. This year, 37 reports were issued and 10 of them had monetary recommendations (1 additional report issued in FY 2021 added a monetary recommendation in FY 2022), and 27 reports, which are not reflected in the table, had no monetary recommendations.

[2] Represents the net of disallowed costs, which includes disallowed costs during this reporting period less costs originally disallowed but subsequently allowed during this reporting period.

[3] Represents the net of allowed costs, which includes allowed costs during this reporting period plus costs originally disallowed but subsequently allowed during this reporting period.

Federal Information Security Modernization Act (FISMA)

The FISMA requires the Office of the Chief Information Officer (OCIO) to conduct an annual Agency security program review in coordination with Agency program officials. OPM is pleased to provide the results of this review conducted for the FY 2022.

In FY 2022, OPM's cybersecurity maturity level is measured as "3 - Consistently Implemented".

Before the kick-off of the FY 2022 FISMA audit, the agency completed self-assessment of the FISMA metrics to determine our current maturity level status and future metric goals for the next two fiscal years. This self-assessment allowed the agency and the OIG to focus discussions, goals, fieldwork and audit recommendations on the current maturity level status and achievable targets specific to our operating environment and priorities established by the Chief Information Officer (CIO).

The resulting FISMA audit recommendations and cybersecurity maturity level ratings established by the OIG are under review by the Agency. Corrective actions taken by OPM in FY 2022, and the new approach to the FISMA audit, resulted in the closure of 29 prior year FISMA recommendations. OPM is committed to working with the OIG to improve its IT operations and services.

OPM is pleased to report that we have improved our CIGIE maturity model score overall, with specific improvements in the Protect Function area and more specifically in the Identity and Access Management, Data Protection and Privacy domains. We also maintained our Level 4, Managed and Measurable status for the Incident Response metrics.

Building on the momentum of the audit finding resolution efforts with GAO and OIG, and in addition to the 29 aforementioned prior year FISMA recommendations closed, the agency successfully closed over 42 additional cybersecurity recommendations from other previous audit engagements. OPM is committed to continue the trend of collaboration and focus on reducing open audit recommendations for the agency Chief Information Office.

Compliance with Other Key Legal and Regulatory Requirements

OPM is required to comply with other legal and regulatory financial requirements. Information concerning these regulatory requirements can be found in the Other Information, Section 3, of this report.

OPM continues to work towards compliance with the Digital Accountability and Transparency Act (DATA Act) of 2014, Public Law No. 113-101, as it is being implemented by OMB and the Treasury Department. Among other requirements, it requires a federal agency to notify the Treasury of any legally enforceable non-tax debt owed to such agency that is over 120 days delinquent so that Treasury can offset such debt administratively; previously, it was 180 days per the Debt Collection Improvement Act (DCIA). In FY 2015, OMB Memorandum M-15-12 was issued for reporting requirements pursuant to the DATA Act.

On July 17, 2015, the OMB introduced guidance to further the goal of accelerating payments to small businesses and small business subcontractors while also reducing the administrative burden and cost to taxpayers by utilizing electronic invoicing. OPM continues to work towards compliance with OMB Memorandum M-15-19 "Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing" which directs agencies to transition to electronic invoicing for appropriate Federal procurements by the end of FY 2018.

Director Kiran Ahuja visits with wildland firefighters represented by the National Federation of Federal Employees (NFFE).

Forward-Looking Information

OPM is dedicated to achieving agency strategic goals and continuing to lead and serve the Federal Government in enterprise human resources management by delivering policies and services to achieve a trusted, effective, civilian workforce. Looking forward, OPM continues to operate with limited budgetary resources in the Salaries and Expenses (S&E) funds which affects many vital functions to include but not limited to providing adequate human capital to on-going projects and initiatives and performing critical information technology modernization. Over the next year, OPM will aggressively pursue: implementation of the Postal Reform Act; promote Diversity, Equity, Inclusion, and Accessibility; improve Customer Experience; position the Federal Government as a model employer; and pursue greater transparency and accountability.

OPM spent all of FY 2022 in a virtual environment due to COVID-19 without experiencing any negative impacts to the continuity of operations critical to fulfilling the mission of the agency. Looking forward, OPM will stay abreast of the pandemic impacts and ensure future operations remain effective and efficient while leading and servicing the Federal Government in human capital resource management.

Goals and Strategies

OPM is firmly committed to improving financial and operational performance and has received an unmodified audit opinion on OPM's financial statements for 23 consecutive years. OPM will continue to strengthen our enterprise-wide managerial cost accounting system across the Agency; provide financial and other reports to financial and program managers; integrate financial and performance information; use such information to formulate our annual budget requests; as well as for day-to-day management and program analysis. OPM established and has followed the strategy below to achieve the goals for improved financial-management performance:

- Ensure that critical financial performance indicators are objective, understandable, meaningful, fair, and fully measurable;
- Improve internal controls over financial reporting through improved systems and processes;
- Re-affirm processes, controls, and procedures to ensure that continuing Independent Public Accountant (IPA) unmodified audit opinions will be achieved;
- Continue to implement a financial management system fully compliant with Federal standards providing sound, effective, support to all customers;
- Strengthen stewardship, accountability, and internal controls over financial reporting, as stipulated by revised OMB Circular No. A-123; and
- Reduce improper payments to target levels.

Limitations of the Consolidated Financial Statements

- The principal financial statements have been prepared to report OPM's financial position and results of operations, pursuant to the requirements of 31 United States Code 3515(b).
- The statements have been prepared from OPM's books and records in accordance with U.S. generally accepted accounting principles for Federal entities and the formats prescribed by the OMB. They are in addition to the financial reports used to monitor and control OPM's budgetary resources, which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

Section 2

FY 2022 Financial Information

Message from the Chief Financial Officer

Douglas A. Glenn,
Chief Financial Officer

As the Chief Financial Officer for the Office of Personnel Management (OPM), I am pleased to present our Agency Financial Report (AFR) for Fiscal Year (FY) 2022. This AFR report demonstrates our commitment to financial excellence to the American taxpayer and provides an overview of our significant accomplishments throughout the year.

OPM received its 23rd unmodified audit opinion. We are proud of this accomplishment, along with several other FY 2022 efforts.

The completion of our Trust Fund Modernization project with Treasury's, Bureau of the Fiscal Service's Administrative Resource Center (ARC) is another accomplishment we are proud to report. This effort marks a major milestone in our commitment to financial management leadership. In replacing a 30-year-old legacy system, we have enhanced our ability to capture, record, and report earned benefits activity in a modernized system that offers improved internal controls for a $1 trillion portfolio.

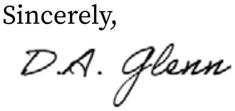
Another top priority is remediating our material weakness and the resulting non-compliance with the Federal Financial Management Improvement Act. This year, we made great strides in enhancing our cybersecurity posture, which has resulted in significant improvements in addressing audit recommendations. Eliminating our material weaknesses, fortifying internal controls, and clearing audit recommendations will continue to be a top priority for the agency.

During FY 2022, OPM was tasked, per the Postal Services Reform Act, to implement the Postal Services Health Benefits (PSHB) Program. This will provide health insurance to eligible Postal Service employees, Postal Service Annuitants, and their eligible family members.

OPM remains committed to prioritizing stewardship of taxpayer funds and delivering value. As such, we submitted a timely Congressional Budget Justification (CBJ) that aligns with our core mission of positioning the Federal Government as a model employer, setting the example for other private and public sector employers in America, delivering increased value, and an improved customer experience. I am confident that we can continue to leverage the resources entrusted to us and deliver upon the goals outlined in our FY 2022-2026 Strategic Plan.

We are excited about our accomplishments for FY 2022, and we look forward to continuing our commitment to making greater strides toward financial excellence and offering greater value to our customers and the public.

Sincerely,



Douglas A. Glenn
Chief Financial Officer
U.S. Office of Personnel Management
November 14, 2022

Transmittal from OPM's Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

November 14, 2022

Report No. 2022-IAG-003

MEMORANDUM FOR THE HONORABLE KIRAN A. AHUJA
Director

FROM: THE HONORABLE KRISTA A. BOYD
Inspector General

Krista A. Boyd

SUBJECT: Audit of the U.S. Office of Personnel Management's Fiscal Year 2022 Consolidated Financial Statements

This memorandum transmits Grant Thornton LLP's (Grant Thornton) report on its financial statement audit of the U.S. Office of Personnel Management's (OPM) Fiscal Year 2022 Consolidated Financial Statements and the results of the Office of the Inspector General's (OIG) oversight of the audit and review of that report. OPM's consolidated financial statements include the Retirement Program, Health Benefits Program, Life Insurance Program, Revolving Fund Programs and Salaries & Expenses funds.

Audit Reports on Financial Statements, Internal Controls and Compliance with Laws and Regulations

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires OPM's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the agency's financial statements in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. We contracted with the independent certified public accounting firm Grant Thornton to audit OPM's consolidated financial statements as of September 30, 2022 and 2021. The contract requires that the audit be performed in accordance with generally accepted government auditing standards and the Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*.

Grant Thornton's audit report for Fiscal Year 2022 includes opinions on the consolidated financial statements and the individual statements for the three benefit programs. In addition, Grant Thornton separately reported on internal controls and on compliance with laws and regulations. The results of Grant Thornton's audit included the following:

- The consolidated financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

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- Grant Thornton's report identified one material weakness in the internal controls:

  - Information Systems Control Environment

  A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

- Grant Thornton's report did not identify any significant deficiencies.

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

- Grant Thornton's report identified instances of non-compliance with the Federal Financial Management Improvement Act (FFMIA) Section 803(a), as described in the section titled Material Weakness – Information Systems Control Environment, in which OPM's financial management systems did not substantially comply with the Federal financial management systems requirements. The results of Grant Thornton's tests of FFMIA Section 803(a) requirements disclosed no instances of substantial noncompliance with the applicable Federal accounting standards and the application of the United States Government Standard General Ledger at the transaction level.

OIG Evaluation of Grant Thornton's Audit Performance

In connection with the audit contract, we reviewed Grant Thornton's report and related documentation and made inquiries of its representatives regarding the audit. To fulfill our audit responsibilities under the CFO Act for ensuring the quality of the audit work performed, we conducted a review of Grant Thornton's audit of OPM's Fiscal Year 2022 Consolidated Financial Statements in accordance with GAS. Specifically, we:

- provided oversight, technical advice, and liaison to Grant Thornton auditors;
- ensured that audits and audit reports were completed timely and in accordance with the requirements of Generally Accepted Government Auditing Standards (GAGAS), OMB Bulletin 22-01, and other applicable professional auditing standards;
- documented oversight activities and monitored audit status;
- reviewed responses to audit reports and reported significant disagreements to the audit follow-up official per OMB Circular No. A-50, Audit Follow-up;
- coordinated issuance of the audit report; and
- performed other procedures we deemed necessary.

Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, opinions on OPM's financial statements or internal controls or on whether OPM's financial management systems substantially complied with the Federal Financial Management Improvement Act of 1996 or conclusions on compliance with laws and regulations. Grant Thornton is responsible for the attached auditor's report dated November 14, 2022, and the conclusions expressed in the report. However, our review disclosed no instances where Grant Thornton did not comply, in all material respects, with the generally accepted GAS.

In accordance with the OMB Circular A-50 and Public Law 103-355, all audit findings must be resolved within six months of the date of this report. The OMB Circular also requires that agency management officials provide a timely response to the final audit report indicating whether they agree or disagree with the audit findings and recommendations. When management is in agreement, the response should include planned corrective actions and target dates for achieving them. If management disagrees, the response must include the basis in fact, law or regulation for the disagreement.

To help ensure that the timeliness requirement for resolution is achieved, we ask that the CFO coordinate with the OPM audit follow-up office, Internal Oversight and Compliance (IOC), to provide their initial responses to us within 90 days from the date of this memorandum. IOC should be copied on all final report responses. Subsequent resolution activity for all audit findings should also be coordinated with IOC. The CFO should provide periodic reports through IOC to us, no less frequently than each March and September, detailing the status of corrective actions, including documentation to support this activity, until all findings have been resolved.

In closing, we would like to thank OPM's financial management staff for their professionalism during Grant Thornton's audit and our oversight of the financial statement audit this year.

If you have any questions about Grant Thornton's audit or our oversight, please contact me, at 606-1200, or you may have a member of your staff contact Michael R. Esser, Assistant Inspector General for Audits, at 606-2143.

Attachment

cc: Khalilah M. Harris
Chief of Staff

Dennis D. Coleman
Chief Management Officer

Benjamin C. Mizer
General Counsel

Douglas A. Glenn
Chief Financial Officer

Guy V. Cavallo
Chief Information Officer

Mark W. Lambert
Associate Director, Merit System Accountability and Compliance and Acting Director, Internal Oversight and Compliance

Katherine M. Hax
Chief, Risk Management and Internal Control

Independent Auditors’ Report

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Kiran A. Ahuja, Director
United States Office of Personnel Management

Krista A. Boyd, Inspector General
United States Office of Personnel Management

Report on the financial statements

Opinions
We have audited the consolidated financial statements of the United States Office of Personnel Management (the “Agency”), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, as well as the individual balance sheets of the Retirement, Health Benefits, and Life Insurance Programs as of September 30, 2022 and 2021, and the related individual statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the individual financial statements (collectively, “the individual financial statements”).

In our opinion, the accompanying consolidated financial statements and individual financial statements present fairly, in all material respects, the financial position of the United States Office of Personnel Management as of September 30, 2022 and 2021, and its net cost, changes in net position, and budgetary resources for the years then ended, as well as the individual financial positions of the Retirement, Health Benefits, and Life Insurance Programs as of September 30, 2022 and 2021, and their individual net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinions
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*; and Office of Management and Budget (“OMB”) Bulletin 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin 22-01 are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements

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relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and OMB 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements or individual financial statements.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and OMB 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements and individual financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements and individual financial statements.

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

GrantThornton

Required supplementary information
Accounting principles generally accepted in the United States of America require that the information in Management's Discussion and Analysis (Section 1) and the combining statements of budgetary resources be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a required part of the consolidated financial statements, is required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*, which consider it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. With the exception of the Retirement, Health Benefits, and Life Insurance Programs in the combining statement of budgetary resources, on which we have expressed an opinion, we have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Revolving Fund Programs, Salaries and Expenses and Eliminations columns in the consolidating financial statements as of and for the years ended September 30, 2022 and 2021 (Schedules 1 through 3) and the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) columns in the consolidating statements of net cost for the years ended September 30, 2022 and 2021 (Schedule 2) are presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual components, and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other information
Management is responsible for the other information included in the annual report. The other information comprises the Other Information presented in Section 3 but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 14, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Grant Thornton LLP

Arlington, VA

November 14, 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Kiran A. Ahuja, Director
United States Office of Personnel Management

Krista A. Boyd, Inspector General
United States Office of Personnel Management

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and Office of Management and Budget ("OMB") Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements of the United States Office of Personnel Management (the "Agency"), which comprise the consolidated balance sheet as of September 30, 2022 and the related consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements, as well as the individual balance sheets of the Retirement, Health Benefits, and Life Insurance Programs as of September 30 2022, and the related individual statements of net cost, changes in net position, and budgetary resources for the year then ended, and the related notes to the individual financial statements. We have issued our report, dated November 14, 2022, on these financial statements.

Report on internal control over financial reporting

Results of our consideration of internal control over financial reporting
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the section titled Material Weakness – Information Systems Control Environment below, that we consider to be a material weakness in the Agency's internal control.

Material Weakness – Information Systems Control Environment

In accordance with the Federal Managers' Financial Integrity Act of 1982 and the requirements of the Office of Management and Budget (OMB) Circular A-123 Management's Responsibility for Enterprise Risk Management and Internal Control, Agency management is responsible for establishing and maintaining internal controls to achieve specific internal control objectives related to operations, reporting, and compliance. This includes establishing information systems (IS) controls as management relies extensively on information systems for the administration and processing of its programs, to both process and account for their expenditures, as well as, for financial reporting. Lack of internal controls over these environments could compromise the reliability and integrity of the program's data and increases the risk of misstatements whether due to fraud or error.

Our internal control testing covered both general and application controls. General controls encompass the security management program, access controls, configuration management, segregation of duties, and backup controls. General controls provide the foundation for the integrity of systems including applications and the system software which make up the general support systems for an organization's major applications. General controls, combined with application level controls, are critical to ensure accurate and complete processing of transactions and integrity of stored data. Application controls include controls over the input, processing, and output of data as well as interface controls. These controls provide assurance over the completeness, accuracy, and validity of data. Our audit included testing of OPM's mainframe, networks, databases, applications, and other supporting systems that reside in Macon, GA and Boyers, PA.

During FY 2022, deficiencies noted in FY 2021 continued to exist and our testing identified similar control issues in both the design and operation of key controls. We believe that, in many cases, these deficiencies continue to exist because of one, or a combination, of the following:

- Oversight and governance is insufficient to enforce policies and address deficiencies.
- Risk mitigation strategies and related control enhancements require additional time to be fully implemented or to effectuate throughout the environment.
- Dedicated budgetary resources are required to modernize the Agency's legacy applications.

The information system issues identified in FY 2022 included repetitive conditions consistent with prior years, as well as new deficiencies. The deficiencies in OPM's IS control environment are in the areas of Security Management, Logical Access, Configuration Management, and Interface / Data Transmission Controls. In the aggregate, these deficiencies are considered to be a Material Weakness.

Security Management

Appropriate security management controls provide reasonable assurance that the security of an Agency's IS control environment is effective. Such controls include, amongst others, security management programs, periodic assessments and validation of risk, security control policies and procedures, and security awareness training. Due to inconsistent adherence to policies and procedures related to key information system controls, we noted the following security management control weaknesses:

- General Support Systems (GSSs) and application System Security Plans, Risk Assessments, Authority to Operate Packages and Information System Continuous Monitoring documentation were incomplete, not timely, or not reflective of current operating conditions.
- OPM did not have a centralized process in place to track a complete and accurate listing of systems and devices to be able to provide security oversight or risk mitigation in the protection of its resources.
- OPM did not have a system in place to identify and generate a complete and accurate listing of OPM contractors and their employment status.
- OPM does not track vulnerabilities to remediation in accordance with policy.
- OPM did not have a system in place to identify and generate a complete and accurate listing of users with significant information systems responsibility.

Incomplete and inaccurate system documentation presents the risk that personnel do not adhere to required processes and controls, and in some cases, prohibits the auditor from testing select FISCAM domains. The lack of comprehensive and consistent continuous monitoring activities and risk assessments as well as the lack of comprehensive tracking or periodic review of vulnerabilities or known system weaknesses, present the risk that personnel do not identify and remediate weaknesses in their environment in a timely manner. Additionally, without a comprehensive understanding of all devices, software and systems and the controls, OPM is unable to provide comprehensive security oversight or risk mitigation in the protection of its resources. Furthermore, without comprehensive tracking or periodic review of vulnerabilities or known system weaknesses, OPM is unable to determine whether appropriate action has been taken and whether they have been remediated within a timely manner. Lastly, without comprehensive separation processes, contractors may retain lingering access to systems. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

Logical Access

Access controls limit or detect inappropriate access to computer resources, protecting them from unauthorized modification, loss, and disclosure. Logical access controls require users to authenticate themselves while limiting the data and other resources that authenticated users can access and actions they can execute. Due to inconsistent adherence to policies and procedures related to key information system controls, we noted the following weaknesses in logical access controls:

- Users, including those with privileged access, were not appropriately provisioned and de-provisioned access from OPM's information systems.
- OPM did not comply with their policies regarding the periodic recertification of the appropriateness of user access.
- Financial applications assessed are not compliant with OMB-M-11-11 Continued Implementation of Homeland Security Presidential Directive (HSPD) 12 Policy for a Common Identification Standard for Federal Employees and Contractors or Personal Identity Verification (PIV) and OPM policy, which require the two-factor authentication.
- OPM could not provide a system generated listing of all users who have access to systems, as well as a listing of all users who had their access to systems revoked during the period.
- System roles and associated responsibilities or functions, including the identification of incompatible role assignments, were not documented.
- Audit logging and monitoring procedures were not developed for all tools, operating systems, and databases contained within the application boundaries. Further, a comprehensive review of audit logs was not performed, or was not performed in a timely manner.

Incomplete documentation that outlines systematic roles and responsibilities as well as segregation of duties conflicts presents the risk that individuals have access to data or the ability to perform functions outside of their job responsibilities. Additionally, the lack of proper access provisioning and termination processes as well as the lack of comprehensive recertifications of user access, may allow individuals to gain unauthorized access to systems. Lack of comprehensive audit logging and monitoring controls presents the risk that individuals perform unauthorized actions within the application without investigation and recourse. Additionally, applications not being compliant with Personal Identity Verification (PIV) polices increases the risk of unauthorized access into systems. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

Configuration Management

Appropriate configuration management controls provide reasonable assurance that changes to information system resources are authorized, and systems are configured and operated securely and as intended. Such controls include, amongst others, effective configuration management policies, plans, and procedures; proper authorization, testing, approval, and tracking of all configuration changes; and routine monitoring of the systems configuration. Due to inconsistent adherence to policies and procedures related to configuration management controls, we noted the following weaknesses in configuration management controls:

- OPM did not have the ability to generate a complete and accurate listing of modifications made to configuration items to the applications.
- Users have access to both develop and migrate changes to the information systems. Additionally, there were instances in which OPM was unable to articulate users with access to develop and migrate changes to the information systems.
- OPM did not perform post-implementation reviews to validate that changes migrated to production were authorized for in scope systems.
- OPM did not maintain a security configuration checklist for platforms and did not collect baseline data to validate compliance with agency requirements Furthermore, baseline scans were not configured on all production servers within application boundaries, and misconfigurations identified through baseline scans were not remediated in a timely manner.

Well established configuration management controls prevent unauthorized changes to the application and provide reasonable assurance that systems are configured and operating securely and as intended. Included in these configuration management controls is the ability to systematically track all changes that were modified and migrated to the production environment, validate that all changes migrated to production are authorized and valid, and separate development and migration duties. Additionally, without restrictive configuration settings, as well as a periodic assessment to ensure that settings are appropriate, the risk that systems are not secure increases. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

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Interface / Data Transmission Controls:

Interface / data transmission controls provide for the timely, accurate, and complete processing of information between applications and other feeder and receiving systems on an on-going basis. Due to inconsistent adherence to policies and procedures related to key information system controls, we noted the following control deficiency during our testing:

- Comprehensive interface / data transmission design documentation is not in place.

Without comprehensive documentation specifying the responsibilities of personnel involved in the interface process as well as controls in place to validate that all data from the source system was transmitted to the target system in appropriate formats, there is an increased risk that that data processing was incomplete or not restricted to appropriate personnel. Additionally, incomplete or inaccurate data may transfer between systems, which may impact the completeness, accuracy, and validity of data.

Recommendations

We recommend that the Office of the Chief Information Officer (OCIO), in coordination with system owners, enforce and monitor the implementation of corrective actions to:

Security Management

- Review and update system documentation (appropriately document results of Risk Assessments and Information System Continuous Monitoring) in accordance with agency policies and procedures.
- Enhance processes in place to track the inventory of OPM's systems and devices and validate that security software and tools are installed on all systems.
- Implement a system or control that tracks current and separated OPM contractors.
- Assign specific individuals with overseeing and monitoring POA&Ms to ensure security weaknesses correspond to a POA&M and are remediated in a timely manner.
- Establish a means of documenting a list of users with significant information system responsibilities to ensure the listing is complete and accurate and the appropriate training is completed.

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Logical Access

- Ensure policies and procedures governing the provisioning and de-provisioning of access to information systems are followed in a timely manner and documentation of completion of these processes is maintained.
- Perform a comprehensive periodic review of the appropriateness of personnel with access to systems.
- Implement two-factor authentication for applications.
- Document access rights to systems to include roles, role descriptions, privileges or activities associated with each role, and role or activity assignments that may cause a segregation of duties conflict.
- Prepare audit logging and monitoring procedures for databases within application boundaries. Review audit logs on a pre-defined periodic basis for violations or suspicious activity and identify individuals responsible for follow up or elevation of issues to the appropriate team members for review. The review of audit logs should be documented for record retention purposes.
- Establish a means of documenting all users who have access to systems and all users who had their systems access revoked.

Configuration Management

- Establish a mechanism to systematically track all configuration items that are migrated to production in order to produce a complete and accurate listing of all configuration items. Further, develop, document, implement, and enforce requirements and processes to periodically validate that all configuration items migrated to production are authorized and valid.
- Separate users with the ability to develop and migrate changes to production or implement controls to detect instances in which a user develops and migrates the same change.
- Enforce existing policy developed by OPM, vendors or federal agencies requiring mandatory security configuration settings, implement a process to periodically validate the settings are appropriate and ensure that proper baselines are scanned.

Interface / Data Transmission Controls:

- Develop interface / data transmission design documentation that specifies definition of responsibilities, as well as on-going system balancing requirements.

Basis for results of our consideration of internal control over financial reporting
We performed our procedures related to the Agency's internal control over financial reporting in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*; and OMB Bulletin No. 22-01.

Responsibilities of management for internal control over financial reporting
Management is responsible for maintaining effective internal control over financial reporting ("internal control"), including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for internal control over financial reporting
In planning and performing our audit of the financial statements, we considered the Agency's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and inherent limitations of internal control over financial reporting
An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting provides reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended purpose of report on internal control over financial reporting
The purpose of this report is solely to describe the scope of our consideration of internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the Agency's internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on compliance with laws, regulations, contracts, and grant agreements and other matters

As part of obtaining reasonable assurance about whether the Agency's consolidated financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below, in accordance with *Government Auditing Standards*.

Results of our tests of compliance
The objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Agency. Accordingly, we do not express such an opinion.

Under the Federal Financial Management Improvement Act ("FFMIA"), we are required to report whether the Agency's financial management systems substantially comply with FFMIA Section 803(a) requirements. To meet this requirement, we performed tests of compliance with the federal financial management systems requirements, applicable federal accounting standards, and the *United States Standard General Ledger* ("USSGL") at the transaction level. However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly we do not express such an opinion. Our work on FFMIA would not necessarily disclose all instances of lack of compliance with FFMIA requirements.

The results of our tests of FFMIA Section 803(a) requirements disclosed instances, as described above in the section titled Material Weakness – Information Systems Control Environment, in which the Agency's financial management systems did not substantially comply with the Federal financial management systems requirements.

The results of our tests of FFMIA Section 803(a) requirements disclosed no instances of substantial noncompliance with applicable Federal accounting standards and the application of the USSGL at the transaction level.

Basis for results of our tests of compliance
We performed our tests of compliance in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*; and OMB Bulletin No. 22-01.

Responsibilities of management for compliance
Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency.

Auditor's responsibilities for tests of compliance
Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements, and to perform certain other

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limited procedures. We did not test compliance with all laws, regulations, contracts, and grant agreements. Noncompliance may occur that is not detected by these tests.

Views of Responsible Officials and Planned Corrective Actions
The Agency concurs with the findings and recommendations described above and will continually implement corrective actions plans with target remediation dates in the new fiscal year. Further, the prevention and remediation of audit findings and recommendations will remain a priority for the Chief Information Officer (CIO) and Office of Chief Information Officer (OCIO). OCIO has implemented a program to continually review the status of remediation efforts.

Agency's response to findings
Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the section titled Views of Responsible Officials and Planned Corrective Actions. The Agency's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on the Agency's response.

Intended purpose of report on compliance
The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Arlington, VA
November 14, 2022

Consolidated Financial Statements

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATED BALANCE SHEETS

As of September 30, 2022 and September 30, 2021

(In Millions)

	FY 2022	FY 2021
ASSETS		
Intragovernmental:		
Fund Balance with Treasury [Note 2]	$2,526	$62,999
Investments, Net [Note 3]	1,131,652	1,048,734
Accounts Receivable [Note 4]	2,505	3,705
Advance to Others and Prepayments	5	-
Total Intragovernmental	1,136,688	1,115,438
With the Public:		
Accounts Receivable, Net [Note 4]	1,936	2,105
General Property, Plant, and Equipment, Net	2	5
Other Assets [Note 1L]	919	964
Total With the Public	2,857	3,074
TOTAL ASSETS	$1,139,545	$1,118,512
LIABILITIES		
Intragovernmental [Note 6]		
Accounts Payable	$269	$263
Advances from Others and Deferred Revenues	128	126
Other Liabilities	7	-
Total Intragovernmental	404	389
With the Public:		
Accounts Payable	23	91
Advances from Others and Deferred Revenue	41	35
Federal Employee Benefits Payable [Notes 5A, 5B, and 5C]	2,967,642	2,715,795
Other Liabilities [Note 6]	1,642	1,595
Total With the Public	2,969,348	2,717,516
TOTAL LIABILITIES	$2,969,752	$2,717,905
Commitments and Contingencies [Note 7]		
NET POSITION		
Unexpended Appropriations-Funds from Other than Dedicated Collections	371	390
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(1,830,578)	(1,599,783)
TOTAL NET POSITION	(1,830,207)	(1,599,393)
TOTAL LIABILITIES AND NET POSITION	$1,139,545	$1,118,512

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATED STATEMENTS OF NET COST

As of September 30, 2022 and 2021

(In Millions)

		FY 2022	FY 2021
Provide CSRS Benefits	**Gross Costs**	**$94,592**	**$65,185**
	Less: Earned Revenue	**7,270**	**6,741**
	Net Cost	**87,322**	**58,444**
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5A]	**45,524**	**34,156**
	Net Cost of Operations [Notes 8 and 9]	**$132,846**	**$92,600**
Provide FERS Benefits	**Gross Costs**	**$117,791**	**$94,434**
	Less: Earned Revenue	**70,976**	**66,831**
	Net Cost	**46,815**	**27,603**
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5A]	**90,733**	**42,636**
	Net Cost of Operations [Notes 8 and 9]	**$137,548**	**$70,239**
Provide Health Benefits	**Gross Costs**	**$50,579**	**$65,426**
	Less: Earned Revenue	**42,759**	**47,408**
	Net Cost	**7,820**	**18,018**
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5B]	**10,656**	**7,045**
	Net Cost of Operations [Notes 8 and 9]	**$18,476**	**$25,063**
Provide Life Insurance Benefits	**Gross Costs**	**$5,353**	**$5,237**
	Less: Earned Revenue	**4,580**	**4,689**
	Net Cost	**773**	**548**
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5C]	**1,330**	**1,080**
	Net Cost of Operations [Notes 8 and 9]	**$2,103**	**$1,628**
Provide Human Resource Services	**Gross Costs**	**$746**	**$725**
	Less: Earned Revenue	**334**	**643**
	Net Cost of Operations [Notes 8 and 9]	**$412**	**$82**
Total Net Cost of Operations	**Gross Costs**	**$269,061**	**$231,007**
	Less: Earned Revenue	**125,919**	**126,312**
	Net Cost	**143,142**	**104,695**
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Notes 5A, 5B, and 5C]	**148,243**	**84,917**
	Net Cost of Operations [Notes 8 and 9]	**$291,385**	**$189,612**

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

As of September 30, 2022 and 2021

(In Millions)

	FY 2022	FY 2021
UNEXPENDED APPROPRIATIONS		
Beginning Balance	$390	$64
Budgetary Financing Sources:		
Appropriations Received	60,994	60,582
Other Adjustments	(494)	(235)
Appropriations Used	(60,519)	(60,021)
Total Budgetary Financing Sources	(19)	326
Total Unexpended Appropriations - Ending Balance	$371	$390
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	($1,599,784)	($1,469,838)
Budgetary Financing Sources:		
Appropriations Used	60,519	60,021
Transfer-In/Out Without Reimbursement	48	(365)
Other Financing Sources	24	10
Total Financing Sources	60,591	59,666
Net Cost of Operations	291,385	189,612
Net Change	(230,794)	(129,946)
Cumulative Results of Operations - Ending Balance	($1,830,578)	($1,599,784)
NET POSITION	($1,830,207)	($1,599,394)

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

COMBINED STATEMENTS OF BUDGETARY RESOURCES

As of September 30, 2022 and 2021

(In Millions)

	FY 2022	FY 2021
BUDGETARY RESOURCES		
Unobligated Balance, from Prior Year Budget Authority, Net	**$74,624**	**$75,011**
Appropriations	**161,864**	**157,001**
Spending Authority from Offsetting Collections	**66,013**	**64,154**
Total Budgetary Resources	**$302,501**	**$296,166**
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments [Note 11]	**$229,564**	**$221,601**
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	**587**	**613**
Unapportioned, Unexpired Accounts	**72,275**	**73,880**
Expired, Unobligated Balance, End of Year	**75**	**72**
Total Unobligated Balance, End of Year	**72,937**	**74,565**
Total Budgetary Resources	**$302,501**	**$296,166**
OUTLAYS, NET		
Outlays, Net	**$160,902**	**$155,641**
Less: Distributed Offsetting Receipts	**47,829**	**47,037**
Agency Outlays, Net	**$113,073**	**$108,604**

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Notes to OPM 2022 Agency Financial Report

September 30, 2022 and 2021 [$ in millions]

The numbers presented throughout the Notes to the Financial Statements may not tie exactly to the totals provided in the financial statements due to rounding.

Note 1, Summary of Significant Accounting Policies

A. Reporting Entity

The United States (U.S.) Office of Personnel Management (OPM) is the Federal Government's human resources (HR) agency. It was created as an independent agency of the Executive Branch of Government on January 1, 1979. Many of the functions of the former Civil Service Commission were transferred to OPM at that time.

The accompanying financial statements present OPM's financial position, net cost of operations, changes in net position, and status of budgetary resources, as required by the Chief Financial Officers Act of 1990 (CFO Act), the Government Management Reform Act of 1994 (GMRA), and OMB Circular No. A-136, "*Financial Reporting Requirements*." The financial statements include all accounts — appropriation, trust, trust revolving, special and revolving funds — under OPM's control. OPM is a component of the U.S. Government. For this reason, some of the assets and liabilities reported may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

The financial statements comprise the following major programs administered by OPM: The funds related to the operation of the Retirement Program, the Health Benefits Program, and the Life Insurance Program. The statutory authority for OPM's Federal employees' benefit programs can be found in Title 5, United States Code (USC); Chapters 83 and 84 provide a complete description of the Civil Service Retirement and Disability Fund's provisions; Chapter 89 provides a complete description of the Employees' Health Benefits Fund and the Retired Employees' Health Benefits Fund provisions; and Chapter 87 provides a complete description of the Employees' Group Life Insurance Fund provisions. Sections 802 and 803 of P.L. 109- 435, the Postal Act, amended certain provisions of Chapters 83 and 89 of Title 5 dealing with the Retirement Program and the Health Benefits Program, respectively. In January 2025 Title I, Section 101 of The Postal Service Reform Act (PSRA, Pub. L. 117-108) requires OPM to establish the Postal Service Health Benefits Program (PSHBP), a separate health benefit program for United States Postal Service (USPS) employees, annuitants, and their eligible family members that will operate in parallel to the Federal Employees Health Benefits Program (FEHBP). In addition, the financial statements also encompass OPM's Revolving Fund Programs as well as Salaries and Expenses.

Retirement Program

The Program consists of two defined-benefit pension plans: the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS), which consists of three (3) participant contribution rates. Together, the two plans cover substantially all full-time, permanent civilian Federal employees. The CSRS, implemented in 1921, is a stand-alone plan, providing benefits to most Federal employees hired before 1984. The FERS uses Social Security as its base and provides an additional defined benefit and a voluntary thrift savings plan to most employees entering the Federal service after 1983. The FERS was established in 1986 and when it became effective on January 1, 1987, CSRS Interim employees with less than 5 years of creditable civilian service on December 31, 1986, were automatically converted to FERS. The FERS – Revised Annuity Employees (RAE) was established in 2012 and became effective on January 1, 2013, and the FERS – Further Revised Annuity Employee (FRAE) was established in 2013 and became effective on January 1, 2014. Both defined-benefit pension plans are operated via the Civil Service Retirement and Disability Fund (CSRDF), a trust fund. Title 5, USC, Chapters 83 and 84, provide a complete description of the CSRDF's provisions. OPM does not administer the voluntary Thrift Savings Plan.

Health Benefits Program

The Program provides comprehensive health insurance benefits to Federal employees, annuitants, their eligible family members, and other eligible persons. The Program, implemented in 1960, is operated through two trust revolving funds: the Employees' Health Benefits Fund and the Retired Employees' Health Benefits Fund. Title 5, USC, Chapter 89 provides a complete description of the funds' provisions. To provide benefits, OPM contracts with more than 85 FEHB carriers. Most of the contracts with carriers that provide fee-for-service benefits are experience-rated, with the amount contributed by and for participants affected by, among other things, the number and size of claims. Most HMO contracts are community-rated, so that the amount of profit and administrative expenses charged to the Federal Employees Health Benefits (FEHB) Program by the carrier can be no more than what is allowed in the large group market overall.

On December 20, 2006, President Bush signed into law the Postal Accountability and Enhancement Act (the Postal Act), P.L. 109-435. Title VIII of the Postal Act made significant changes in the laws dealing with the funding of CSRS benefits and the funding of retiree health benefits for employees of the U.S. Postal Service (USPS). The Postal Act required the USPS to make statutorily defined payments to the Postal Service Retiree Health Benefits (PSRHB) Fund through 2016 and actuarially determined prefunding payments beginning in 2017. The Postal Service Reform Act (PSRA) of 2022 repealed the required prefunding payments, eliminated all past due payments and defined a new formula for payments into the PSRHBF beginning in 2026. The new payments are not meant to prefund post retirement health benefits; they have the net effect of the USPS drawing claims costs instead of premiums for their annuitants from the fund. The PSRHB Fund is included in the Health Benefits Program.

Life Insurance Program

The Program provides group, term-life insurance coverage to Federal employees and retirees. The Program was implemented in 1954 and significantly modified in 1980. It is operated through the Federal Employees Group Life Insurance Fund, a trust revolving fund, and is administered, virtually in its entirety, by the Metropolitan Life Insurance Company under contract with OPM. Title 5, USC, Chapter 87 provides a complete description of the fund's provisions. The Program provides Basic life insurance (which includes accidental death and dismemberment coverage) and three packages of optional coverage.

Revolving Fund Programs

OPM provides a variety of HR-related services to other Federal agencies, such as pre-employment testing and employee training. These activities are financed through an intra-governmental revolving fund.

Salaries and Expenses

Salaries and Expenses provide the budgetary resources used by OPM for administrative purposes in support of the Agency's mission and programs. These resources are furnished by annual, multiple-year, and no- year appropriations. Annual appropriations are made for a specified fiscal year and are available for new obligations only during that fiscal year. Multiple-year appropriations are available for a definite period in excess of one fiscal year. No-year appropriations are available for obligation without fiscal year limitation.

B. Basis of Accounting and Presentation

Basis of Accounting

OPM's financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, exchange revenue is recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash.

Basis of Presentation

The OPM fiscal year ends September 30. The accompanying financial statements account for all resources for which OPM is responsible. These financial statements present the financial position, results of operations, changes in net position, and the combined budgetary resources of OPM, as required by the CFO Act of 1990 and expanded by the GMRA of 1994. The financial statements are prepared from the books and records of OPM activities in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB[1]) and presented in the format prescribed by the OMB Circular A-136.

OPM has prepared comparative financial statements for the Consolidated and Consolidating Balance Sheets, Consolidated and Consolidating Statements of Net Cost, Consolidated and Consolidating Statements of Changes in Net Position, and the Combined and Combining Statements of Budgetary Resources.

Consolidated Statements of Net Operations: To derive its net cost of operations, OPM deducts the earned revenues associated with its gross cost of providing benefits and services on the accompanying Consolidated Statements of Net Cost.

Consolidated Statements of Changes in Net Position: The Consolidated Statements of Changes in Net Position separately discloses other financing sources including appropriations, net cost of operations, and cumulative results of operations.

Combined Statements of Budgetary Resources: The budgetary accounting concepts are recognized in the Combined Statements of Budgetary Resources. The Combined Statements of Budgetary Resources present:

(1) Budgetary resources[2] for the fiscal year. OPM's budgetary resources include unobligated balances of resources from prior years and new resources, consisting of appropriations, and spending authority from offsetting collections.

(2) Status of those budgetary resources which include obligated[3] amounts and unobligated[4] amounts for the fiscal year. OPM's obligations are direct and reimbursable. Direct obligations and are incurred and paid immediately. A reimbursable obligation reflects the cost incurred to perform services or provide goods that must be paid back by the recipients. OPM classifies all of its incurred obligations as direct, with the exception of the Revolving Fund Programs, which only incurs reimbursable obligations.

(3) Outlays[5], Net, and Distributing Offsetting Receipts (cash transactions) for the fiscal year, which is comprised of Outlays[6] less Actual Offsetting Receipts (cash transactions) and includes:

i. Outlays, Net, which is comprised of Outlays, Gross less Actual Offsetting Collections[6].

ii. Agency Outlays, Net, which is comprised of Outlays, Net less Distributed Offsetting Receipts. Distributed Offsetting Receipts represents actual collections from the public or from other federal entities, net of disbursements, that are credited to certain receipt accounts (general fund, special fund, trust fund, and gift and donation receipt accounts) and budget clearing accounts, and for which the net receipts recorded to this line offset the budget outlays of the agency that conducts the activity generating the receipts.

1 FASAB is the official body for setting accounting standards of the U.S. Government Consolidated Statements of Net Operations: To derive its net cost of operations, OPM deducts the earned revenues associated with its gross cost of providing benefits and services on the accompanying Consolidated Statements of Net Cost.

2 Per OMB Circular A-11, Section 20, "**Budgetary resources** are amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years."

3 Per OMB Circular A-11, Section 20, "Obligation means a legally binding agreement that will result in outlays, immediately or in the future."

4 Per OMB Circular A-11, Section 20, "Unobligated amount means the cumulative amount of budget authority that remains available for obligation under law in unexpired accounts. The term "expired balances available for adjustment" only refers to unobligated amounts in expired accounts."

5 Per OMB Circular A-11, Section 20, "Outlay means a payment to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending."

6 Per OMB Circular A-11, Section 20, Terms and Concepts, "**Offsetting collections** mean payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government and from intragovernmental transactions with other government accounts. The authority to spend offsetting collections is a form of budget authority."

Budgetary accounting is based on concepts set forth by OMB Circular A-11, Preparation, Submission, and Execution of the Budget, as amended, which provides instructions on budget execution. Budgetary accounting is designed to recognize the budgetary resources and the related status of those budgetary resources, including the obligation and outlay of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds.

Financial Statement Classifications

Intragovernmental and With the Public: SFFAS 1 distinguishes between Intragovernmental and Governmental (referred to as With the Public) assets and liabilities. Intragovernmental assets and liabilities arise from transactions among Federal entities. Intragovernmental assets are claims other Federal entities owe to OPM. Intragovernmental liabilities are claims OPM owes to other Federal entities, whereas With the Public assets and liabilities arise from transactions with public entities. The term public entities encompass domestic and foreign persons and organizations outside the U.S. Government. With the Public assets are claims of OPM against public entities. With the Public liabilities are amounts that OPM owes to public entities.

Throughout these financial statements, intragovernmental assets, liabilities, revenue and cost have been classified according to the type of entity with which the transactions are associated. The majority of OPM's gross cost to provide Retirement, Health and Life Insurance benefits are classified as costs With the Public because the recipients of these benefits are Federal employees, retirees, and their survivors and families.

C. Use of Management's Estimates

The preparation of financial statements in accordance with GAAP requires management to make certain estimates. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of earned revenues and costs during the reporting period. Actual results could differ from the estimates.

D. Entity vs. Non-Entity Assets

Statement of Federal Financial Accounting Standards (SFFAS) 1, Accounting for Selected Assets and Liabilities, distinguishes between entity and non-entity assets. Entity assets are those the reporting entity has the legal authority to use in its operations. Non-entity Assets refers to assets received from the public. All OPM assets are entity assets.

E. Appropriations and Funding Sources

OPM receives new budgetary resources each fiscal year in the form of appropriations, trust fund receipts, and spending authority from offsetting collections. In addition, OPM normally carries-over a balance of unobligated budgetary resources from the prior fiscal year, which is generally unavailable for obligation, but may be drawn-upon should new budgetary resources be insufficient to cover obligations incurred. The $59 million increase from the ending balance in the prior year to the beginning balance in the current year's Unobligated Balance is due to the recovery of funds that were originally deemed unavailable being received.

Appropriations

By an act of Congress, OPM receives budgetary resources in the form of appropriations that allow it to incur obligations to pay (1) the Government's share of the cost of health and life insurance benefits for Retirement Program annuitants and (2) in part, the administrative and operating expenses of OPM. In addition, the U.S. Treasury General Fund transfers an amount annually to the OPM CSRDF to subsidize, in part, the underfunding of the CSRDF. OPM's appropriations are 'definite,' in that the amount of the authority is stated at the time it is granted, and 'annual,' in that the authority is available for obligation only during the current fiscal year. At fiscal year-end, any unobligated balances in the appropriations that fund the Government's share of the cost of health and life insurance benefits are returned to Treasury. Existing obligated balances can be used to make payments, but unobligated balances are not available for new obligations. Budgetary resources, including any related obligations and payables, are 'cancelled' at the end of the five-year expiration period. All cancelled funding is returned to U.S. Department of the Treasury (Treasury).

Trust Fund Receipts
The amounts collected by OPM and credited to the CSRDF and PSRHBF generate budgetary resources in the form of trust fund receipts. Trust fund receipts are immediately appropriated and available to cover the valid obligations of the CSRDF and PSRHBF as they are incurred.

At the end of each fiscal year, the amount by which OPM's collections have exceeded its incurred obligations are temporarily precluded from obligation and added to OPM's trust fund balance. For FY 2022 and FY 2021, the PSRHB funds are used to pay annual premium costs for the USPS post 1971 current annuitants [See Note 10]. The PSRHBF operates similarly to the CSRDF.

Spending Authority from Offsetting Collections
The amount collected by OPM and credited to the Health Benefits, Life Insurance and Revolving Fund Programs generates budgetary resources in the form of 'spending authority from offsetting collections' (SAOC). During the fiscal year, the obligations incurred by OPM for these programs may not exceed their SAOC or the amounts apportioned by OMB, whichever is less. At year-end, the balance of SAOC more than obligations incurred is brought forward into the subsequent fiscal year but is generally unavailable for obligation. Amounts collected by OPM and credited to the CSRDF [and the PSRHBF] generate budgetary resources in the form of trust fund receipts.

F. Program Funding

Retirement Program
Service-cost represents an estimate of the amount of contributions which, if accumulated and invested over the careers of participants, will be sufficient to fully fund their future CSRS or FERS benefits. OPM's Office of the Actuaries has determined that the service-cost for most or "regular" CSRS participants is 50.4 percent and 46.2 percent of basic pay for FY 2022 and FY 2021, respectively. For FERS, the service cost for most or "regular" FERS participants is 22.4 percent and 19.7 percent of basic pay for FY 2022 and FY 2021, respectively, and for "regular" FERS-FRAE participants is 23.2 percent and 20.4 percent of basic pay for FY 2022 and FY 2021, respectively. Different service-costs apply for participants under FERS-RAE, Postal Service participants, and participants covered under special retirement provisions such as law enforcement officers, firefighters and air traffic controllers.

CSRS
Both CSRS participants and their employing agencies, except for USPS, are required by statute to make contributions to CSRS coverage. Regular CSRS participants and their employers each contributed 7.0 percent of pay in both FY 2022 and FY 2021. The combined 14.0 percent of pay does not cover the service cost of a CSRS benefit. To lessen the shortfall, the U.S. Department of Treasury (Treasury) is required by statute to transfer an amount annually from the General Fund of the United States to the CSRDF [See Note 1G.]; for FY 2022 and FY 2021, this amount was $34.3 billion and $34.5 billion, respectively, for the CSRS.

FERS
Both FERS participants and their employing agencies are required by statute to make contributions for FERS coverage. In addition, Treasury is required by statute to transfer an amount from the General Fund of the United States to the CSRDF for the FERS Supplemental Liability; for FY 2022 and FY 2021, this amount was $12.0 billion and $11.5 billion, respectively. There are currently three FERS participant contribution rates for most regular participants:

1. For most participants who entered before calendar year 2013, the FERS participant contribution rate is 0.8 percent of pay for FY 2022 and FY 2021. The rate is equal to the CSRS participant contribution rate less the prevailing Old Age Survivor and Disability Insurance deduction rate.

2. FERS-RAE, which was established under the Middle Class Tax Relief and Job Creation Job Act of 2012, P.L. 112-96, Section 5001 – Federal Employees Retirement, generally applies for participants who entered during calendar year 2013. For most FERS-RAE participants, the participant contribution rate is 3.1 percent of pay.

3. FERS-FRAE, which was established under Section 401 of the "Bipartisan Budget Act of 2013," P.L. 113-67, Sec. 401, generally applies for participants entering on or after January 1, 2014. For most FERS-FRAE participants, the participant contribution rate is 4.4 percent of pay.

Note: There is no difference in the FERS basic benefit paid to FERS Regular, FERS-RAE, and FERS-FRAE employees. However, the basic benefit for congressional employees and Members of Congress under FERS-RAE and FERS-FRAE is different than the basic benefit paid to those groups under FERS.

Health Benefits Program

The program (except for the PSRHB Fund) is funded on a "pay-as-you-go" basis, with both participants and their employing agencies making contributions on approximately a 30 percent to 70 percent basis (some categories of enrollees are responsible for the entire premium amount (e.g., Temporary Continuation of Coverage, former spouses)). OPM contributes the "employer" share for Retirement Program annuitants via an appropriation. The program continues to provide benefits to active employees, or their survivors, after they retire (post-retirement benefits). Except for the USPS, agencies are not required to make premium contributions for their annuitants.

Life Insurance Program

The program is funded on a "pay-as-you-go" basis, with both participants and their employing agencies making contributions to Basic life insurance coverage, generally on a two-thirds to one-third basis; OPM contributes the "employer" share for Retirement Program annuitants via an appropriation. The program is funded using the "level premium" method, where contributions paid by and for participants remain fixed until age 65 but overcharge during early years of coverage to compensate for higher rates of expected outflows at later years. A small portion, 0.02 percent of the pay of participating employees in FY 2022 and FY 2021, of post-retirement life insurance coverage is not funded.

Revolving Fund Programs

OPM's Revolving Fund Programs provide a continuing cycle of HR services primarily to Federal agencies on a reimbursable basis. Each program is operated at rates established by OPM to be adequate to recover costs over a reasonable period. Receipts derived from operations are, by law, available in their entirety for use of the fund without further action by Congress. Since the Revolving Fund's programs charge full cost, customer-agencies do not recognize imputed costs. OPM provides receiving entities of such services with full cost information through billings based on reimbursable agreements for services rendered. Examples of OPM Revolving Fund programs include USAJOBS and Human Resource Solutions.

Salaries and Expenses

The Salaries and Expenses (S&E) account and the Office of Inspector General (OIG) S&E account finance most of OPM's operating expenses and have three funding sources: 1) salaries and expenses appropriation, 2) transfers from the trust fund accounts, and 3) reimbursements. Funds to administer these programs are transferred from the Trust Fund accounts to the respective administrative S&E account as costs are incurred.

G. Financing Sources Other than Earned Revenue

OPM receives inflows of assets from financing sources other than earned revenue. These financing sources are not deducted from OPM's gross cost of providing benefits and services on the Consolidated Statements of Net Cost but added to its net position on the Consolidated Statements of Changes in Net Position. OPM's major financing sources other than earned revenue are:

Transfer-in from the General Fund

The U.S. Treasury is required by law to transfer an amount annually to the Retirement Program from the General Fund of the U.S. to subsidize in part the under-funding of the CSRS. The transfer from Treasury's General Fund is recorded as a transfer-in and a transfer-out within the Retirement Fund and therefore does not appear on the statement of changes in net position. The obligation and disbursement are reflected in the statement of budgetary resources.

Appropriations Used

By an act of Congress, OPM receives appropriated authority allowing it to incur obligations and make expenditures to cover the operating costs of the Agency ("Salaries and Expenses") and the Government's share of the cost of health and life insurance benefits for Retirement Program annuitants. OPM recognizes appropriations as "used" at the time it incurs these obligations against its appropriated authority.

H. Fund Balance with Treasury

OPM does not maintain cash in a commercial bank, but rather in Treasury. OPM's Fund Balance with Treasury (FBWT) includes the amount available for OPM to pay current liabilities and finance authorized purchases, except as restricted by law. FBWT comprises the aggregate total of OPM's unexpended, un-invested balances in its appropriation, trust, revolving, and trust revolving accounts. All of OPM's collections are deposited into and its expenditures paid from one of its FBWT accounts. OPM invests FBWT balances associated with the Retirement, Health Benefits, and Life Insurance Programs that are not immediately needed to cover expenditures unless there is a Debt Issuance Suspension Period (DISP).

I. Investments, Net

The Federal Government does not set aside assets to pay future benefits or other expenditures.

OPM invests the excess FBWT for the funds associated with the Retirement, Health Benefits, and Life Insurance Programs in securities guaranteed by the United States as to principal and interest. OPM's investments in Federal securities consists of non-marketable, market-based, Par-value Government account series (GAS) securities, both market-based notes and par-value Certificates of Indebtedness. OPM invests the excess FBWT in the specific security type to match the need to pay future benefits or other expenditures with when the funds will be available. Investments are stated at original acquisition cost, net of amortized premium and discount. Premiums and discounts are amortized into interest income over the term of the investment, using the interest method.

Market-based Notes

The notes consist of interest-bearing, market-based Treasury securities purchased from Treasury at a discount/ premium. These investments are presented on the OPM's Consolidated Balance Sheet at acquisition cost, net of amortization of the discount/premium. The discount is amortized over the life of the note using the interest method. Under the interest method, the effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the note at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount/premium). The amount of the amortization of the discount/premium is the difference between the effective interest recognized for the period and the nominal interest for the note.

Health Benefits and Life Insurance Programs' monies are invested, some in market-based securities that mirror the terms of marketable Treasury securities; monies that are immediately needed for expenditure are invested in overnight market-based securities. These market-based securities have some market value risk.

Par-value GAS securities and Certificates of Indebtedness

Retirement Program and the PSRHB Fund portion of the Health Benefits Program monies are invested initially in Certificates of Indebtedness (Certificates), which are issued by the Treasury at par value and mature on the following September 30. The Certificates are routinely redeemed at face value to pay for authorized program expenditures. Each September 30, all outstanding Certificates are rolled over into special GAS securities that are issued by Treasury at par value, with a yield equaling the average of all marketable Treasury securities with four or more years to maturity.

The Retirement Program also carries securities issued by the Federal Financing Bank (FFB) and a small number of other securities.

Debt Issuance Suspension Period (DISP).

Section 8348 of Title 5, U.S. Code, authorizes the Secretary of the Treasury to suspend additional investments of Treasury securities in the CSRDF if such additional investment could not be made without causing the public debt of the United States to exceed the public debt limit. In addition, the Secretary may sell or redeem securities, obligations, and other invested assets of the CSRDF before maturity to prevent the public debt from exceeding the public debt limit. The Secretary may redeem such investments only during a Debt Issuance Suspension Period (DISP) and only to the extent necessary to obtain a number of payments authorized to be made from the CSRDF during such period. Further, the Postal Accountability and Enhancement Act of 2006 requires that investments of the PSRHBF be made in the same manner as investments of the CSRDF.

On August 2, 2021, The Secretary of the Treasury announced that the U.S. has reached its statutory debt limit and a DISP will begin on August 2, 2021 and continue until December 3, 2021. During this period, Treasury will take extraordinary measures, including those described above, to avoid exceeding the statutory debt limit. The U.S. Government is required to pay the CSRDF and the PSRHBF the amount of "foregone interest", those Funds would have otherwise earned had such an extraordinary measure not taken place. On December 16, 2021, Public Law 117-73 was enacted which increased the statutory debt limit to $31,381.5 billion. On this date, Treasury discontinued its use of extraordinary measures and resumed normal debt management operations.

J. Accounts Receivable, Net

Accounts Receivables are recognized primarily when OPM performs reimbursable services or sells goods/services and consist of amounts owed to OPM intragovernmental and amounts owed from the public. The balance of accounts receivable from the public is stated net of an allowance for uncollectible amounts, which is based on past collection experience and an analysis of outstanding amounts. Based on past collection experience and an analysis of outstanding amounts, Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts, when appropriate for both receivables intragovernmental and with the public receivables. The PSRA of 2022 repealed required prefunding payments of future postal service retiree health benefits and cancelled the amounts past due to the PSRHBF, but did not affect the amounts due from the USPS to the CSRDF for CSRS and FERS.

K. General Property, Plant, and Equipment, Net

OPM capitalizes major long-lived software and equipment. Software costing over $500,000 is capitalized at the cost of either purchase or development and is amortized using a straight-line method over a useful life of five years. Equipment costing over $25,000 is capitalized at purchase cost and depreciated using the straight-line method over five years. The cost of minor purchases, repairs and maintenance is expensed as incurred. The value for General Property, Plant, and Equipment, Net decreased from $5,000,000 in the prior fiscal year to $2,000,000 during the rollover to this fiscal year due to liquidation and depreciation being greater than additions throughout the year.

L. Other Assets

This represents the balance of assets held by the experience-rated carriers participating in the Health Benefits Program and by the Life Insurance Program carrier, pending disposition on behalf of OPM. As of September 30, 2022, Other Assets With the Public for the Health Program and Life Program were $218 million and $701 million, respectively. As of September 30, 2021, Other Assets With the Public for the Health program and Life programs were $306 million and $658 million, respectively.

M. Liabilities

Liabilities represent probable and measurable future outflows of resources as a result of past transactions or events and are recognized when incurred, regardless of whether there are budgetary resources available to pay the liabilities. However, OPM has no authority to liquidate a liability, unless budgetary resources have been appropriated and made available through legislation.

Liabilities Covered and not Covered by Budgetary Resources:

Liabilities covered by budgetary resources include those liabilities for which Congress appropriated funds and are otherwise available to pay amounts due as of the Balance Sheet dates. Liabilities not covered by budgetary resources are amounts owed in excess of available, congressionally appropriated funds and, therefore, no budgetary resources are available to pay amounts due as of the Balance Sheet dates but will require future funding to liquidate the obligation. Since no budgetary resources have been made available to liquidate the Pension, post-Retirement Health Benefits (PRHB), and Actuarial Life Insurance Liabilities, they are disclosed as being liabilities not covered by budgetary resources. (Refer to Note 6, Liabilities)

Liabilities not Requiring Budgetary Resources:
Liabilities that have not in the past required and will not in the future require the use of budgetary resources are referred to as liabilities not requiring budgetary resources.

Current and Noncurrent Liabilities:
OPM discloses its other liabilities between current and noncurrent liabilities in accordance with SFFAS 1. The current liabilities represent liabilities that OPM expects to settle within the 12 months of the Balance Sheet dates. Noncurrent liabilities represent liabilities that OPM does not expect to be settled within the 12 months of the Balance Sheet dates (refer to Note 6, Other Liabilities).

Accounts Payable
Accounts Payable includes amounts owed but not yet paid to Intragovernmental and Other with the public entities for goods and services received by OPM. OPM estimates and records accruals when services and goods are performed or received.

N. Benefits Due and Payable

Benefits due and payable are comprised of two categories of accrued expenses. The first reflects claims filed by participants of the Retirement, Health Benefits and Life Insurance Programs that are unpaid in the current reporting period and includes an estimate of health benefits and life insurance claims incurred but not yet reported. The second is a liability for premiums payable to community-rated carriers participating in the Health Benefits Program that is unpaid in the current reporting period.

O. Actuarial Liabilities and Associated Expenses

OPM records actuarial liabilities [the Pension Liability, PRHB Liability, and the Actuarial Life Insurance Liability] and associated expenses. These liabilities are measured as of the first day of the year, with a "roll-forward," or projection, to the end of the year. The "roll-forward" considers all major factors that affect the measurement that occurred during the reporting year, including pay raises, cost of living allowances, and material changes in the number of participants.

The Prior Service Credit recognized in the current year and included in the calculation of PRHB expense in Note 5 is the impact of a plan amendment on the PRHB liability. The PSRA of 2022 amended the FEHB by adding the PSHBP and requiring Medicare participation by those eligible in order to receive coverage in the Postal program.

Long Term Interest Rate Assumptions
For CSRS and for FERS, OPM's actuaries determine a single interest rate that produces an actuarial liability equivalent to that produced under the 10-year average historical yield curve. OPM's actuaries round the single equivalent interest rate to the nearest 0.1%.

OPM's actuaries use a 10-year measuring period for determining the yield curve, taking the 40-quarter arithmetical average of spot rates for zero-coupon Treasuries measured through March 31 of the current fiscal year. OPM's measuring period methodology has been in place under SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates,* since FY 2010. The March 31 ending date was selected based on the publication dates of source material to meet OPM's financial reporting deadlines. Zero-coupon rates were published by the Treasury's Office of Thrift Supervision through December 31, 2011. The Treasury Office of Economic Policy continued publication of zero-coupon rates according to this methodology for the subsequent quarters in 2012 and 2013.

Beginning in 2014, the Treasury began publishing rates according to a revised zero-coupon yield curve methodology (with historical rates published according to this revised methodology for year 2003 forward). The curve provides yields at semi-annual increments for 100 years. The previously published yield curves had extended only to year 30, and for valuations performed prior to 2014 OPM's actuaries had applied the 30-year rate for discounting cash flows beyond 30 years.

P. Commitments and Contingencies

In accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government,* as amended by SFFAS 12, Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, OPM recognizes contingent liabilities in OPM's Consolidated Balance Sheets and Consolidated Statements of Net Cost when the loss is determined to be probable and reasonably estimable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from Treasury. OPM evaluates all contingent liabilities based on three criteria: probable, reasonably possible, and remote. OPM recognizes that the estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recorded. If no amount within the range is a better estimate than any other amount, the minimum amount of the range is recorded and the range and a description of the nature of the contingency are disclosed. OPM records an accrual for contingent liabilities if it is probable and reasonably estimable and discloses those contingencies that are reasonably possible in Note 7, Commitments and Contingencies, of the financial statements. OPM does not disclose or record contingent liabilities when the loss is considered remote. For matters where OPM's Counsel is unable to express an opinion regarding the likely outcome of the case and an estimate of the potential liability cannot be made, the total amount claimed against the government is classified as Reasonably Possible and disclosed if available.

Q. Net Position

Net position is the residual difference between assets and liabilities and consists of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations

Unexpended appropriations consist of unobligated and undelivered order balances. Unobligated balances are amounts of remaining budgetary resources available for obligation, which have not been rescinded or withdrawn. Undelivered orders are the amount of obligations incurred for goods and/or services ordered, but not yet received. OPM's unexpended appropriations primarily consist of unobligated balances and undelivered orders mainly related to COVID-19 activity [See Note 16].

Cumulative Results of Operations

Cumulative results of operations (CRO) consist of the net difference since inception between: (1) expenses and losses; (2) revenue and gains; and (3) other financing sources. The balance of OPM's CRO is negative due to the recognition of actuarial expenses that will be liquidated in future periods.

R. Expenses

Expenses are recognized when there are outflows, usage of assets, or incurrences of liabilities (or a combination) from carrying out functions related to OPM's activity and related programs, for which benefits do not extend beyond the present operating period. For financial reporting purposes, operating expenses are recognized in the period incurred.

Gross Cost of Providing Benefits and Services

OPM's gross cost of providing benefits and services is classified by responsibility segment. All program costs (including Salaries and Expenses) are directly traced, assigned, or allocated on a reasonable and consistent basis to one of four responsibility segments. Table 13 associates OPM's gross cost by program to its responsibility segments.

S. Revenue and Other Financing Sources

In accordance with SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, revenue is classified as either exchange revenue or non-exchange revenue.

Exchange Revenue

Exchange revenue is an inflow of resources to an entity that it has earned; it arises when each party to a transaction sacrifices value and receives value in return. All of OPM's revenue is classified as exchange revenue and the two sources of earned revenue include (1) earning on its investments; and (2) the Contributions to the Retirement, Health Benefits and Life Insurance Programs by and for participants.

Federal reporting standards require that earnings on investments be classified in the same manner as the predominant source of revenue that funds the investments; OPM, therefore, classifies earnings on investments as earned revenue. Employing agency and participant contributions to the Retirement, Health Benefits and Life Insurance Programs and the scheduled payment contributions to the PSRHB Fund are classified as exchange revenue, since they represent exchanges of money and services in return for current and future benefits.

Exchange revenue is presented in the Consolidated Statements of Net Cost and serves to offset the costs of these goods and services. The consolidated Statements of Net Cost provides users with the ability to ascertain whether OPM's exchange revenue are sufficient to cover the total cost it has incurred to provide Retirement, Health, and Life Insurance benefits.

Imputed Financing and Imputed Cost: Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by OPM are recognized as imputed cost in the Consolidated Statements of Net Cost and are offset by imputed financing in the Consolidated Statements of Changes in Net Position.

T. Tax Status

As an agency of the Federal Government, OPM is generally exempt from all income taxes imposed by any governing body, whether it is a Federal, State, Commonwealth, Local, or Foreign Government.

U. Parent-Child Reporting Allocation Transfer

OPM is a party to an allocation transfer with another Federal agency, the Department of Health and Human Services (HHS), which is the parent. OPM is the receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate "Health Insurance Reform Implementation Fund," account 024075X0119, was created in the U.S. Treasury as a subset of the HHS fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the OPM are charged to this allocation account as OPM executes the delegated activity on behalf of the HHS. The financial activity related to this allocation transfer is reported in the financial statements of the parent entity, HHS, from which the underlying legislative budget authority, appropriations, and apportionments are derived.

V. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Note 2, Fund Balance with Treasury

Status of Fund Balance with Treasury

OPM's unexpended balances are comprised of its FBWT and its investments (at par, net of original discount). The following table presents portions of OPM's temporary reductions, unexpended balances that are obligated, unobligated and precluded from obligation as of September 30, 2022 and 2021. During DISP, OPM is restricted in the amounts to invest in Government securities. The amounts suspended for the CSRDF and for the PSRHBF, are recorded in FBWT instead of Investments in Government Securities.

Table 15 – Fund Balance with Treasury

The amounts in the table are in millions.

As of September 30, 2022					
Unexpended Balances	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Other**	**Total**
FBWT	$12	$1,732	$11	$771	$2,526
Investments	1,011,679	62,790	50,746	-	1,125,215
Total, Unexpended Balances	**$1,011,691**	**$64,522**	**$50,757**	**$771**	**$1,127,741**
Status of Fund Balances					
Unobligated:					
Available	-	-	-	587	587
Unavailable	-	22,900	49,262	188	72,350
Obligated not yet Disbursed	8,872	6,002	1,495	(4)	16,365
Temporarily Precluded from Obligation at the End of the Year (Refer to Note 10)	1,002,814	35,607	-	-	1,038,421
Temporary Reductions and Rounding	5	13	-	-	18
Non-Budgetary FBWT	**1,002,819**	**35,620**	**-**	**-**	**1,038,439**
Total, Status of Fund Balances	**$1,011,691**	**$64,522**	**$50,757**	**$771**	**$1,127,741**

September 30, 2021					
Unexpended Balances	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Other**	**Total**
FBWT	$60,505	$1,666	$11	$817	$62,999
Investments	925,846	66,620	49,719	-	1,042,185
Total, Unexpended Balances	**$986,351**	**$68,286**	**$49,730**	**$817**	**$1,105,184**
Status of Fund Balances					
Unobligated:					
Available	-	-	-	614	614
Unavailable	-	25,242	48,570	140	73,952
Obligated not yet Disbursed	8,370	4,182	1,160	63	13,775
Temporarily Precluded from Obligation at the End of the Year (Refer to Note 10)	977,977	38,849	-	-	1,016,826
Temporary Reductions and Rounding	4	13	-	-	17
Non-Budgetary FBWT	**977,981**	**38,862**	**-**	**-**	**1,016,843**
Total, Status of Fund Balances	**$986,351**	**$68,286**	**$49,730**	**$817**	**$1,105,184**

Note 3, Investments

All of OPM's investments are in securities issued by other Federal entities and are therefore classified as intragovernmental. See Note 1I for further explanation, including the amortization method. All OPM's investments are in Treasury and FFB securities held by trust funds - the Retirement, Health Insurance, and Life Insurance programs.

The cash receipts collected from the public for the trust funds are deposited in the Treasury, which uses the cash for general Government purposes. Treasury securities are issued to OPM as evidence of its receipts. Treasury securities are an asset to OPM and a liability to the Treasury. Because OPM and the Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. They are eliminated in consolidation for the Government-wide financial statements of the United States.

Treasury securities provide OPM with authority to draw upon the Treasury to make future benefit payments or other expenditures. When OPM requires redemption of these Treasury securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, borrowing from the public, repaying less debt, or curtailing other expenditures. This is the same way the Government finances all other expenditures.

When a security is redeemed and not carried to maturity, there is a risk that the fund could receive less value in return for the security it gave up. The Health Benefit and Life Insurance funds had approximately $114 billion and $117 billion invested as of September 30, 2022 and 2021, respectively, the majority of which are market- based and have market value risk.

The following table summarizes OPM's Investments, Net by Program, all trust funds, as of September 2022 and 2021, respectively:

Table 16 – Investments, Net – Intragovernmental

The amounts in the table are in millions.

As of September 30, 2022						
Program	Cost	Amortized Discount/ (Premium)	Interest Receivable	Investments, Net	Unrealized Gain/Loss	Market Value
Retirement Program						
Marketable:						
FFB Securities	$4,847	-	$31	$4,878	(31)	$4,847
Non-Marketable: (PAR)						
Par-value GAS securities	946,674	-	5,575	952,249	(5,575)	946,674
Certificates of Indebtedness	60,158	-	48	60,206	(48)	60,158
Total Retirement Program	**$1,011,679**	**-**	**$5,654**	**$1,017,333**	**$(5,654)**	**$1,011,679**
Health Benefits Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$27,280	$27	$21	$27,328	$(315)	$27,013
Non-Marketable: (PAR)						
Par-value GAS securities	35,607	-	206	35,813	(206)	35,607
Certificates of Indebtedness	-	-	-	-	-	-
Total Health Benefits Program	**$62,887**	**$27**	**$227**	**$63,141**	**$(521)**	**$62,620**
Life Insurance Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$51,235	$(160)	$103	$51,178	$(1,561)	$49,617
Total Life Insurance Program	**$51,235**	**$(160)**	**$103**	**$51,178**	**$(1,561)**	**$49,617**
Total Investments, Net	**$1,125,801**	**$(133)**	**$5,984**	**$1,131,652**	**$(7,736)**	**$1,123,916**

As of September 30, 2021						
Program	**Cost**	**Amortized Discount/ (Premium)**	**Interest Receivable**	**Investments, Net**	**Unrealized Gain/Loss**	**Market Value**
Retirement Program						
Marketable:						
FFB Securities	$6,053	-	$39	$6,092	$(39)	$6,053
Non-Marketable: (PAR)						
Par-value GAS securities	915,931	-	5,377	921,308	(5,377)	915,931
Certificates of Indebtedness	3,862	-	12	3,874	(12)	3,862
Total Retirement Program	**$925,846**	**-**	**$5,428**	**$931,274**	**$(5,428)**	**$925,846**
Health Benefits Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$27,867	$100	$28	$27,995	$257	$28,252
Non-Marketable: (PAR)						
Par-value GAS securities	38,849	-	235	39,084	(235)	38,849
Certificates of Indebtedness	-	-	-	-	-	-
Total Health Benefits Program	**$66,716**	**$100**	**$263**	**$67,079**	**$22**	**$67,101**
Life Insurance Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$50,207	$85	$89	$50,381	$623	$51,004
Total Life Insurance Program	**$50,207**	**$85**	**$89**	**$50,381**	**$623**	**$51,004**
Total Investments, Net	**$1,042,769**	**$185**	**$5,780**	**$1,048,734**	**$(4,783)**	**$1,043,951**

Note 4, Accounts Receivable, Net

Intragovernmental

The balances comprising OPM's intragovernmental accounts receivable as of September 30, 2022 and 2021 are reported in the following table, respectively:

Table 17 – Accounts Receivable, Net – Intragovernmental

The amounts in the table are in millions.

September 30, 2022					
Receivable	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Employer contributions receivable	$19,860	$809	$22	-	$20,691
Other	-	-	-	(38)	(38)
Allowance	(18,148)	-	-	-	(18,148)
Total, Intragovernmental Accounts Receivable, Net	**$1,712**	**$809**	**$22**	**$(38)**	**$2,505**

September 30, 2021					
Receivable	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Employer contributions receivable	$17,040	$58,214	$32	-	$75,286
Other	-	-	-	40	40
Allowance	(14,646)	(56,975)	-	-	(71,621)
Total, Intragovernmental Accounts Receivable, Net	**$2,394**	**$1,239**	**$32**	**$40**	**$3,705**

P.L. 109-435 requires the USPS to make scheduled payment contributions to the PSRHB Fund ranging from approximately $5.4 billion to $5.8 billion no later than September 30 per year from FY 2007 through FY 2016. For periods after FY 2016, USPS was required to pay amounts determined by OPM, and normal and amortization payments of approximately $5.1 billion due in September 2021 according to the legislation. OPM has not received annual payments from FY 2011 through FY 2021. USPS owed to the PSRHB Fund $57 billion as of September 30, 2021. The Postal Service Reform Act of 2022, P.L. 117-108, changes the method in which required payments into the PSRHBF are calculated, and cancelled the payments due from Postal Service under Section 8909a. Pursuant to P.L. 117-108, OPM wrote off the $57 billion receivables due from the Postal Service to the PSRHB in FY 2022. Additionally, FY 2022 accrued Postal Service receivables related to PSRHBF were reversed. In addition, Section 8348 (h) and Section 8423 (b) of Title 5, U.S.C., requires USPS to make annual contributions to the Civil Service Retirement and Disability Fund (CSRDF) for both CSRS and FERS. As of September 30, 2022 total contributions owed was $18.1 billion, of which $14.6 billion was owed for FY 2014 through FY 2021. PL 117-108 does not include the required supplemental payments under Section 8348 (h) and Section 8423 (b) of Title 5, U.S.C. for CSRS and FERS. Therefore, in accordance with SFFAS 1 and Technical Bulletin 2020-1 *Allowance for Intragovernmental Receivables*, OPM considers the $18.1 billion and $71.6 billion owed by USPS as an allowance of doubtful accounts in FY 2022 and FY 2021, respectively, due to USPS budget constraints. All other intragovernmental receivables are considered collectible.

With the Public

The balances comprising the accounts receivable, net OPM classifies as "with the public" as of September 30, 2022 and 2021, respectively, are presented, in the following table. See Note 1J for the methodology used to determine the allowance.

Table 18 – Accounts Receivable, Net - With the Public

The amounts in the table are in millions.

September 30, 2022					
Receivable	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Participant contributions receivable	$205	$1,132	$187	-	$1,524
Overpayment of benefits [net of allowance of $105]	380	-	-	-	380
Due from carriers [net of allowance of $0]	-	32	-	-	32
Other	-	-	-	-	
Total	**$585**	**$1,164**	**$187**	**-**	**$1,936**

September 30, 2021					
Receivable	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Participant contributions receivable	$290	$1,271	$219	-	$1,780
Overpayment of benefits [net of allowance of $110]	290	-	-	-	290
Due from carriers [net of allowance of $0]	-	35	-	-	35
Other	-	-	-	-	-
Total	**$580**	**$1,306**	**$219**	**-**	**$2,105**

Included in the Accounts Receivable, Net - With the Public are criminal restitution orders. As of September 30, 2022, the Retirement Program and the Health Benefits Program had a balance of $60.3 million for criminal restitution orders. As of September 30, 2021, the Retirement Program and the Health Benefits Program had a balance of $62.3 million for criminal restitution orders.

Note 5, Federal Employee Benefits

A. Pensions

OPM's Office of the Actuaries, in computing the Pension Liability and associated Pension Expense, applies economic assumptions to historical cost information to estimate the Government's future cost to provide CSRS and FERS benefits to current and future retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. Actuarial gains or losses occur to the extent that actual experience differs from these assumptions used to compute the Pension Liability and associated Pension Expense. The amount for Federal Employee Benefits Payable for Pensions on the Balance Sheet also includes open vouchers and benefits payable.

Economic Assumptions

The economic assumptions used to calculate the Pension Liability and related Pension Expense under SFFAS 33*, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes In Assumptions and Selecting Discount Rates and Valuation Dates* are based on 10-year historical averages. See Note 1.O for further information. These economic assumptions differ from those established by OPM under guidance from the CSRS Board of Actuaries for the determination of certain statutory funding payments for CSRS and FERS. The following table presents the significant economic assumptions in accordance with SFFAS 33 to compute the Pension Liability as of September 30, 2022 and 2021, respectively:

Table 19 – Federal Employee Benefits – A. Pensions (Economic Assumptions)

Economic Assumptions	FY 2022		FY 2021	
	CSRS	FERS	CSRS	FERS
Inflation	2.0%	2.0%	1.7%	1.7%
Interest rate/discount rate	2.3%	2.9%	2.4%	3.1%
Cost of Living Adjustment*	2.0%	1.8%	1.7%	1.5%
Rate of increases in salary	1.6%	1.6%	1.3%	1.3%

*Note: The actuarial liability for CSRS and FERS is determined based on an assumed rate of retiree Cost of Living Adjustment (COLA), an assumption that is related to the general rate of inflation. The assumed CSRS COLA is equal to the assumed rate of inflation.

Pension Expense

The following table presents Pension Expense by cost component for September 30, 2022 and 2021, respectively.

Table 20 – Federal Employee Benefits – A. Pensions (Pension Expense)

The amounts in the table are in millions.

FY 2022			
Pension Expense	CSRS	FERS	TOTAL
Normal cost	$1,568	$50,637	$52,205
Interest cost	25,651	35,328	60,979
Actuarial (Gain)/Loss - Experience	65,089	30,699	95,788
Actuarial (Gain)/Loss - Assumptions	45,524	90,733	136,257
Pension Expense	**$137,832**	**$207,397**	**$345,229**

FY 2021			
Pension Expense	**CSRS**	**FERS**	**TOTAL**
Normal cost	$1,814	$46,613	$48,427
Interest cost	28,107	33,888	61,995
Actuarial (Gain)/Loss - Experience	33,406	12,532	45,938
Actuarial (Gain)/Loss - Assumptions	34,156	42,636	76,792
Pension Expense	**$97,483**	**$135,669**	**$233,152**

Pension Liability

The following table presents the Pension Liability as of September 30, 2022 and 2021, respectively:

Table 21 – Federal Employee Benefits – A. Pensions (Pension Liability)

The amounts in the table are in millions.

FY 2022			
Pension Liability	**CSRS**	**FERS**	**TOTAL**
Pension Liability on October 1, 2021	$1,102,900	$1,127,700	$2,230,600
Plus: Pension Expense	-	-	-
Normal Cost	1,568	50,637	52,205
Interest on the Liability Balance	25,651	35,328	60,979
Actuarial (Gain)/Loss:			
From experience	65,089	30,699	95,788
From changes in actuarial assumptions	45,524	90,733	136,257
Net (Gain)/Loss	110,613	121,432	232,045
Total Expense:	**$137,832**	**$207,397**	**$345,229**
Less: Costs applied to Pension Liability	(70,232)	(26,597)	(96,829)
Pension Liability at September 30, 2022	**$1,170,500**	**$1,308,500**	**$2,479,000**

FY 2021			
Pension Liability	**CSRS**	**FERS**	**TOTAL**
Pension Liability on October 1, 2020	$1,074,300	$1,015,400	$2,089,700
Plus: Pension Expense			
Normal Cost	1,814	46,613	48,427
Interest on the Liability Balance	28,107	33,888	61,995
Actuarial (Gain)/Loss:			
From experience:	33,406	12,532	45,938
From changes in actuarial assumptions:	34,156	42,636	76,792
Net (Gain)/Loss	67,562	55,168	122,730
Total Expense:	**$97,483**	**$135,669**	**$233,152**
Less: Costs applied to Pension Liability	(68,883)	(23,369)	(92,252)
Pension Liability on September 30, 2021	**$1,102,900**	**$1,127,700**	**$2,230,600**

Costs Applied to the Pension Liability

In accordance with Federal accounting standards, the Pension Liability is reduced by the total operating costs of the Retirement Program. The following table presents the costs applied to the Pension Liability for the year ended September 30, 2022 and in FY 2022 and 2021.

Table 22 – Federal Employee Benefits – A. Pensions (Costs Applied to the Pension Liability)

The amounts in the table are in millions.

FY 2022			
Costs Applied to the Pension Liability	**CSRS**	**FERS**	**TOTAL**
Annuities	$69,870	$26,286	$96,156
Refunds of contributions	224	230	454
Administrative and other expenses	138	81	219
Cost Applied to the Pension Liability	**$70,232**	**$26,597**	**$96,829**

FY 2021			
Costs Applied to the Pension Liability	**CSRS**	**FERS**	**TOTAL**
Annuities	$68,474	$23,074	$91,548
Refunds of contributions	266	217	483
Administrative and other expenses	144	78	222
Cost Applied to the Pension Liability	**$68,884**	**$23,369**	**$92,253**

B. Post-Retirement Health Benefits

OPM's Office of the Actuaries, in computing the PRHB Liability and associated expense, applies economic assumptions to historical cost information to estimate the Government's future cost of providing PRHB to current employees and retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to factors such as mortality, retirements, and terminations. Actuarial gains or losses will occur to the extent that actual experience differs from the assumptions used to compute the PRHB Liability and associated expense, and due to changes to the actuarial assumptions. The amount for Federal Employee Benefits Payable for Post-Retirement Health Benefits on the Balance Sheet also includes claims payable and benefits due to Health Insurance carriers.

Economic Assumptions

The following table presents the significant economic assumptions used to compute the PRHB Liability and related expense for the year ended September 30, 2022 and 2021.

Table 23 – Federal Employee Benefits - B. Post-Retirement Health Benefits (Economic Assumptions)

Economic Assumptions	FY 2022	FY 2021
Interest rate[(1)]	3.1%	3.2%
Increase in per capita cost of covered benefits[(2)]	4.5%	4.4%
Ultimate medical trend rate	3.4%	3.2%

[1] The single equivalent annual interest rate for FY 2022 is derived from a yield curve based on the average of the last 40 quarters through March 2022. The single equivalent annual interest rate for FY 2021 is derived from a yield curve based on the average of the last 40 quarters through March 2021.

[2] The single equivalent increase in per capita cost of covered benefits for FY 2022 represents a variable trend which begins at 5.0% in the initial and second year, 5.1% in the third year, 5.2% in the fourth year, then steadily declines to 3.4% by FY 2075.

PRHB Expense

The following table presents the PRHB Expense by cost component September 30, 2022 and 2021, respectively:

Table 24 – Federal Employee Benefits - B. Post-Retirement Health Benefits (PRHB Expense)

The amounts in the table are in millions.

PRHB Expense	FY 2022	FY 2021
Normal cost	$19,416	$18,580
Interest cost	13,259	13,829
Actuarial (Gain)/Loss - Experience	301	(15,999)
Actuarial (Gain)/Loss - Assumptions	10,656	7,045
Prior Service Cost/(Credit)	**(28,289)**	**0**
PRHB Expense	**$15,343**	**$23,455**

The Post-Retirement Health Benefits (PRHB) Expense is the amount of future benefits earned by participants during the current fiscal year. For FY 2022, OPM incurred a PRHB expense of $15.3 billion, as compared with $23.5 billion in FY 2021. This change is due to a reduction in future costs as a result of the Postal Service Reform Act of 2022 and an actuarial gain due to updated assumptions about drops in and at retirement, partially offset by an actuarial loss due to updated demographic, interest and trend assumptions.

PRHB Liability

The following table presents the PRHB Liability at the September 30, 2022 and September 30, 2021 measurement date.

Table 25 – Federal Employee Benefits - B. Post-Retirement Health Benefits (PRHB Liability)

The amounts in the table are in millions.

PRHB Liability	FY 2022	FY 2021
PRHB Liability at the beginning of the year	$412,934	$405,454
Plus: PRHB Expense		
Normal Cost	19,416	18,580
Interest on the Liability Balance	13,259	13,829
Actuarial (Gain)/Loss:		
From experience:	301	(15,999)
From assumption changes:	10,656	7,045
Net (Gain)/Loss	**10,957**	**(8,954)**
Prior Service Cost/(Credit)	**(28,289)**	**0**
Total Expense:	**$15,343**	**$23,455**
Less: Costs applied to PRHB Liability	(16,604)	(15,975)
PRHB Liability end of the year	**$411,673**	**$412,934**

Cost Applied to PRHB Liability

In accordance with Federal accounting standards, OPM reduces the PRHB Liability by applying certain Program cost. The following table presents the cost applied to the PRHB Liability for the year ended September 30, 2022 and 2021, respectively:

Table 26 – Federal Employee Benefits - B. Post-Retirement Health Benefits (Costs Applied to PRHB Liability)

The amounts in the table are in millions.

Costs Applied to PRHB Liability	FY 2022	FY 2021
Current benefits	$13,232	$13,486
Premiums	1,922	2,120
Administrative and other expenses	1,450	369
Total Cost Applied to the PRHB Liability	**$16,604**	**$15,975**

Effects of Assumptions

The increase in the per capita cost of covered benefits assumed by OPM's actuaries has a significant effect on the amounts reported as the PRHB Liability and associated expense. A one percentage point change in the per capita cost of covered benefits assumption would have the following effects in FY 2022 and FY 2021, as shown in the table below.

Table 27 – Federal Employee Benefits - B. Post-Retirement Health Benefits (Effects of Assumptions)

The amounts in the table are in millions.

Effects of Assumptions	FY 2022		FY 2021	
	One Percent Increase	One Percent Decrease	One Percent Increase	One Percent Decrease
PRHB Liability	$478,229	$357,429	$477,434	$359,720

FY 2022			
Per Capita Normal Cost at Valuation Date		One Percent Increase	One Percent Decrease
Postal	$4,265	$5,362	$3,406
Non Postal*	$9,429	$12,161	$7,345

FY 2021			
Per Capita Normal Cost at Valuation Date		One Percent Increase	One Percent Decrease
Postal	$9,545	$12,236	$7,480
Non Postal*	$8,588	$11,108	$6,671

*The Non Postal category includes all FEHB participants who are not Postal participants (Postal participants are current employees and those who have retired from the Postal Service).

C. Life Insurance

Actuarial Life Insurance Liability

The Actuarial Life Insurance Liability (ALIL) is the expected present value (EPV) of future benefits to be paid to, or on behalf of, existing Life Insurance Program participants, less the EPV of future contributions to be collected from those participants. In applying SFFAS 33 for calculating the ALIL, OPM's actuary uses salary increase and interest rate yield curve assumptions that are consistent with those used for computing the CSRS and FERS Pension Liability in FY 2022 and FY 2021. This entails the determination of a single equivalent interest rate that is specific to the ALIL. See the table below. The amount for Federal Employee Benefits Payable for Life Insurance on the Balance Sheet also includes claims payable to Life Insurance carriers.

Table 28 – Federal Employee Benefits - C. Life Insurance (Actuarial Life Insurance Liability)

Economic Assumptions	FY 2022	FY 2021
Interest rate	2.8%	2.9%
Rate of increases in salary	1.6%	1.3%

Life Insurance Expense

The following table presents the Life Insurance Expense by cost component for FY 2022 and FY 2021.

Table 29 – Federal Employee Benefits - C. Life Insurance (Life Insurance Expense)

The amounts in the table are in millions.

Life Insurance Expense	FY 2022	FY 2021
New Entrant Expense	$549	$487
Interest Cost	1,701	1,745
Actuarial (Gain)/Loss – Experience	(366)	(272)
Actuarial (Gain)/Loss – Assumptions	1,330	1,080
Life Insurance Expense	**$3,214**	**$3,040**

Future Life Insurance Benefit Expense

The following table presents the Future Life Insurance Benefits Expense for FY 2022 and FY 2021.

Table 30 – Federal Employee Benefits - C. Life Insurance (Future Life Insurance Benefit Expense)

The amounts in the table are in millions.

Future Life Insurance Benefit Expense	FY 2022	FY 2021
Life Insurance Expense	$3,214	$3,040
Less: Net Costs applied to Life Insurance liability	(696)	(686)
Future Life Insurance Benefits Expense	**$2,518**	**$2,354**

Actuarial Life Insurance Liability

The following table presents the ALIL as of a September 30 measurement date.

Table 31 – Federal Employee Benefits - C. Life Insurance (Actuarial Life Insurance Liability)

The amounts in the table are in millions.

Actuarial Life Insurance Liability	FY 2022	FY 2021
Actuarial LI Liability at the beginning of the year	$58,740	$56,386
Plus: Expense		
New Entrant Expense	549	487
Interest on the Liability Balance	1,701	1,745
Actuarial (Gain)/Loss:		
From experience	(366)	(272)
From assumption changes	1,330	1,080
Net (Gain)/Loss:	**964**	**808**
Total LI Expense:	**$3,214**	**$3,040**
Less: Costs applied to Life Insurance Liability	(696)	(686)
Actuarial LI Liability as of end of the year	**$61,258**	**$58,740**

As of September 30, 2022, the total amount of FEGLI insurance in-force was estimated at $766.7 billion ($659.8 billion employees + $106.9 billion annuitants). As of September 30, 2021, the total amount of FEGLI insurance in-force was estimated at $770.3 billion ($664.4 billion employees + $105.9 billion annuitants).

Note 6, Intragovernmental and Other Liabilities

As shown in the table below, the liabilities are classified as "Intragovernmental" on the Balance Sheet as of September 30, 2022 and 2021.

Table 32 – Intragovernmental Liabilities

The amounts in the table are in millions.

September 30, 2022			
Program	Accounts Payable	Other	Total
Retirement	$71	-	$71
Health Benefits	356	-	356
Life Insurance	16	-	16
Revolving Fund	7	107	114
Salaries and Expenses	7	28	35
Eliminations	(188)	-	(188)
Total Intragovernmental Liabilities	**$269**	**$135**	**$404**

September 30, 2021			
Program	**Accounts Payable**	**Other**	**Total**
Retirement	$40	-	$40
Health Benefits	337	-	337
Life Insurance	13	-	13
Revolving Fund	-	131	131
Salaries and Expenses	2	0	2
Eliminations	(134)	0	(134)
Total Intragovernmental Liabilities	**$258**	**$131**	**$389**

Health Benefits Program

In prior years, OPM was a party to litigation in which certain Health Benefits Program carriers were seeking relief for alleged underpayment of premiums. As a result of one adverse court decision, the Department of Justice, which represented OPM in the litigation, settled most of the remaining cases (one other case was tried and lost). Judgments/settlements in those cases were paid from the Treasury Judgment Fund (TJF). However, because any underpayments that may have occurred resulted from inaccuracies in the number of contributions by or on behalf of employee-participants that were remitted to OPM by the employing agencies (which remittances came from the respective agencies' appropriations), OPM has neither the legal responsibility nor the legal authority to reimburse the TJF. The U.S. Treasury continues to assert that OPM is liable to reimburse the TJF for the amount of the judgments/settlements. In FY 2012 OPM disputed Treasury's position in accordance with the Intragovernmental Dispute Resolution process. In the interim, OPM has accrued $259 million as of September 30, 2022, and $259 million as of September 30, 2021 in Intragovernmental and other Liabilities.

As shown in the table below, the liabilities, all current and "with the public," are classified as "other" on the Balance Sheet as of September 30, 2022 and 2021. In addition, Unfunded Accrued Annual Leave as of September 30, 2022 and 2021, is $28.0 million and $27.5 million, respectively.

Table 33 – Other Liabilities

The amounts in the table are in millions.

September 30, 2022					
Program	**Withheld from Benefits**	**Accrued Carrier Liabilities Other Than Benefits**	**Accrued Administrative Expense**	**Contingencies**	**Total**
Retirement Program	$1,251	-	-	$95	$1,346
Health Benefits Program	-	208	-	-	208
Life Insurance Program	-	7	-	-	7
Revolving Fund Program	-	-	-	74	74
Salaries and Expenses	-	-	7	-	7
Total Other Liabilities	**$1,251**	**$215**	**$7**	**$169**	**$1,642**

September 30, 2021					
Program	Withheld from Benefits	Accrued Carrier Liabilities Other Than Benefits	Accrued Administrative Expense	Contingencies	Total
Retirement Program	$1,180	-	-	$96	$1,276
Health Benefits Program	-	237	-	-	237
Life Insurance Program	-	38	-	-	38
Revolving Fund Program	-	-	12	-	12
Salaries and Expenses	-	-	32	-	32
Total Other Liabilities	**$1,180**	**$275**	**$44**	**$96**	**$1,595**

Note 7, Commitments and Contingencies

OPM is party to various administrative proceedings, legal actions, and claims. For legal actions where the Office of General Counsel considers adverse decisions "probable" or "reasonable possible" and the amounts are reasonably estimable, information is disclosed below. In many cases, tort claims are administered and resolved by the U.S. Department of Justice, and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, Accounting for Treasury Judgment Fund Transactions, costs incurred by the Federal Government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, as of September 30, 2022, and 2021, OPM's contingent liabilities included $128 million and $148 million Upper End Estimated Range of Loss, respectively, for tort claims contingencies that will require funding exclusively through the Judgment Fund.

No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated, or the likelihood of an unfavorable outcome is less than probable. Additionally, as of September 30, 2022, and 2021, there are cases and claims not brought under the Federal Tort Claims Act, where there is at least a reasonable possibility that a loss may occur, for which the potential range of loss cannot be determined.

The amounts as of September 30, 2022, and 2021 are presented in the table below.

Table 34 – Commitments and Contingencies

The amounts in the table are in millions.

September 30	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2022 Legal Contingencies:			
Probable	$169	$169	$679
Reasonably Possible		$5	$70
FY 2021 Legal Contingencies:			
Probable	$96	$96	$602
Reasonably Possible		76	158

Note 8, Intragovernmental Gross Costs and Earned Revenue

The following table presents the portion of OPM's gross costs and earned revenue that was classified as intragovernmental and "with the public" for September 30, 2022 and 2021.

Table 35 – Intragovernmental Gross Costs and Earned Revenue

The amounts in the table are in millions.

September 30, 2022						
Program	Gross Costs			Earned Revenue		
Benefits	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total
CSRS Benefits	$2,284	$92,308	$94,592	$6,983	$287	$7,270
FERS Benefits	1,127	116,664	117,791	65,507	5,469	70,976
Health Benefits	-	50,579	50,579	24,453	18,306	42,759
Life Insurance Benefits	-	5,353	5,353	1,378	3,202	4,580
Human Resources Services	674	515	1,189	777	-	777
Eliminations	(443)	-	(443)	(443)	-	(443)
Total	**$3,642**	**$265,419**	**$269,061**	**$98,655**	**$27,264**	**$125,919**

September 30, 2021						
Program	Gross Costs			Earned Revenue		
Benefits	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total
CSRS Benefits	$1,858	$63,327	$65,185	$6,379	$362	$6,741
FERS Benefits	1,401	93,033	94,434	61,931	4,900	66,831
Health Benefits	5,110	60,316	65,426	29,533	17,875	47,408
Life Insurance Benefits	-	5,237	5,237	1,494	3,195	4,689
Human Resources Services	546	551	1,097	1,015	-	1,015
Eliminations	(372)	-	(372)	(372)	-	(372)
Total	**$8,543**	**$222,464**	**$231,007**	**$99,980**	**$26,332**	**$126,312**

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by OPM are recognized as imputed cost in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Note 9, Net Cost by Strategic Goals

In FY 2022, OPM began implementing a new strategic plan for FY 2022-FY 2026. This plan was released in March 2022 and contains four strategic goals and corresponding objectives to serve as champions of talent for the Federal Government, leading Federal agencies in workforce policies, programs, and benefits in service to the American people. The four strategic goals are summarized in the chart below. Additional mission activities and mission support activities not directly aligned to a strategic goal are reported separately as "Additional Mission and Mission Support Activities.

Table 36 – Net Cost by Strategic Goals

OPM's Mission Statement:

We lead and serve the Federal Government in enterprise human resources management by delivering policies and services to achieve a trusted effective civilian workforce.

Strategic Goal	Goal Statement
GOAL 1	Position the Federal Government as a model employer, improving the Government-wide satisfaction index score by 4 points
GOAL 2	Transform OPM's organizational capacity and capability to better serve as the leader in Federal human capital management
GOAL 3	Create a human-centered customer experience by putting the needs of OPM's customers at the center of OPM's workforce services, policy, and oversight, increasing OPM's customer satisfaction index score for targeted services to 4.3 out of 5
GOAL 4	Provide innovative and data-driven solutions to enable agencies to meet their missions, increasing the percentage of users throughout Government who agree that OPM offered innovative solutions while providing services or guidance by 4 points

The amounts in the table are in millions.

FY 2022							
Strategic Goals		Provide CSRS Benefits	Provide FERS Benefits	Provide Health Benefits	Provide Life Insurance Benefits	Provide Human Resource Services	Total
	Total program cost	$1	$1	$1	$-	$55	**$58**
Goal 1	Less earned revenue	-	-	-	-	26	**26**
	Net program cost	1	1	1	-	29	**32**
	Total program cost	-	-	-	-	117	**117**
Goal 2	Less earned revenue	-	-	-	-	52	**52**
	Net program cost	-	-	-	-	65	**65**
	Total program cost	46	59	15	1	10	**131**
Goal 3	Less earned revenue	-	-	-	-	4	**4**
	Net program cost	46	59	15	1	6	**127**
	Total program cost	1	1	1	-	52	**55**
Goal 4	Less earned revenue	-	-	-	-	23	**23**
	Net program cost	1	1	1	-	29	**32**
	Total program cost	94,544	117,730	50,562	5,352	512	**268,700**
	Less earned revenue	7,270	70,976	42,759	4,580	229	**125,814**
Additional Mission and Mission Support Activities	Actuarial (Gain)/Loss	45,524	90,733	10,656	1,330	-	**148,243**
	Net program cost	132,798	137,487	18,459	2,102	283	**291,129**
	Total program cost	**94,592**	**117,791**	**50,579**	**5,353**	**746**	**269,061**
	Less earned revenue	**7,270**	**70,976**	**42,759**	**4,580**	**334**	**125,919**
Totals	**Actuarial (Gain)/Loss**	**45,524**	**90,733**	**10,656**	**1,330**	**-**	**148,243**
	Net program cost	**$132,846**	**$137,548**	**$18,476**	**$2,103**	**$412**	**$291,385**

FY 2018 – 2022 Strategic Goals

OPM's Mission Statement:

We lead and serve the Federal Government in enterprise human resources management by delivering policies and services to achieve a trusted effective civilian workforce.

Strategic Goal	Goal Statement
GOAL 1	Transform hiring, pay, and benefits across the Federal Government to attract and retain the best civilian workforce
GOAL 2	Lead the establishment and modernization of human capital information technology and data management systems and solutions
GOAL 3	Improve integration and communication of OPM services to Federal agencies to meet emerging needs
GOAL 4	Optimize agency performance

FY 2021							
Strategic Goals		**Provide CSRS Benefits**	**Provide FERS Benefits**	**Provide Health Benefits**	**Provide Life Insurance Benefits**	**Provide Human Resource Services**	**Total**
	Total program cost	$ 8	$ 12	$ 6	$1	$ 9	**36**
Goal 1	Less earned revenue	-	-	-	-	8	**8**
	Net program cost	8	12	6	1	1	**28**
	Total program cost	-	-	-	-	41	**41**
Goal 2	Less earned revenue	-	-	-	-	36	**36**
	Net program cost	-	-	-	-	5	**5**
	Total program cost	-	-	-	-	9	**9**
Goal 3	Less earned revenue	-	-	-	-	8	**8**
	Net program cost	-	-	-	-	1	**1**
	Total program cost	42	60	14	2	26	**144**
Goal 4	Less earned revenue	-	-	-	-	23	**23**
	Net program cost	42	60	14	2	3	**121**
	Total program cost	65,135	94,362	65,406	5,234	640	**230,777**
	Less earned revenue	6,741	66,831	47,408	4,689	568	**126,237**
Additional Mission and Mission Support Activities	Actuarial (Gain)/Loss	34,156	42,636	7,045	1,080	-	**84,917**
	Net program cost	92,550	70,167	25,043	1,625	72	**189,457**
	Total program cost	**$65,185**	**$94,434**	**$65,426**	**$5,237**	**$725**	**$231,007**
	Less earned revenue	**6,741**	**66,831**	**47,408**	**4,689**	**643**	**126,312**
Totals	**Actuarial (Gain)/Loss**	**34,156**	**42,636**	**7,045**	**1,080**	**-**	**84,917**
	Net program cost	**$92,600**	**$70,239**	**$25,063**	**$1,628**	**$82**	**$189,612**

NOTE: The Total program cost includes any actuarial gain/loss from experience on pension, ORB, or OPEB actuarial liabilities (see Notes 5A, 5B, and 5C). The actuarial gain/loss from assumptions are shown separately.

Note 10, Availability of Unobligated Balances

Retirement Program

Historically, OPM's trust fund receipts have exceeded the amount needed to cover the Retirement Program's obligations. The excess of trust fund receipts over incurred obligations is classified as being temporarily precluded from obligation. These receipts, however, remain assets of the CSRDF and will become immediately available, if circumstances dictate, to meet obligations to be incurred in the future.

The following table presents the unobligated balance of the CSRDF that is included in the Retirement Program that is temporarily precluded from obligation for the year ended September 30, 2022 and 2021, respectively:

Table 37 – Availability of Unobligated Balances – Retirement Program

The amounts in the table are in millions.

For the Year Ended September 30	2022	2021
Temporarily precluded from obligation at the beginning of the year	$977,977	$953,999
Plus: Trust fund receipts during the year	122,050	116,593
Plus: Appropriations Received	46,380	45,975
Less: Obligations Incurred during the year	143,593	138,590
Excess of trust fund receipts over obligations incurred during the year	24,837	23,978
Temporarily Precluded from Obligation at the End of the Year	**$1,002,814**	**$977,977**

Health Benefits and Life Insurance Programs

OPM administers the Health Benefits and Life Insurance Programs through three trust revolving funds. A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of statute. The unobligated balance in OPM's trust revolving funds is available for obligation and expenditure, upon apportionment by OMB, without further action by Congress.

Additionally, FY 2022 and 2021 receipts included interest income. The following table presents the unobligated balance of the PSRHB Fund included in the Health Benefits Program that is temporarily precluded from obligation as of September 30, 2022 and 2021.

Table 38 – Availability of Unobligated Balances – Health Benefits and Life Insurance Programs

The amounts in the table are in millions.

For the Year Ended September 30	2022	2021
Temporarily precluded from obligation at the beginning of the year	$38,849	$41,868
Plus: Special Fund receipts during the year	909	1,021
Less: Obligations Incurred during the year	4,151	4,040
Excess of Special Fund receipts over obligations incurred during the year	(3,242)	(3,019)
Temporarily Precluded from Obligation at the End of the Year	**$35,607**	**$38,849**

Revolving Fund Programs
OPM's Revolving Fund Programs are administered through an intragovernmental revolving fund. An intragovernmental revolving fund is designed to carry-out a cycle of business-type operations with other Federal agencies or separately funded components of the same agency. The unobligated balance in OPM's intragovernmental revolving fund is available for obligation and expenditure, upon apportionment by OMB, without further action by Congress.

Salary and Expenses
OPM funds its administrative costs through annual, multiple-year, and "no-year" appropriations. For its annual appropriations, the unobligated balance expires at the end of the applicable fiscal year. For OPM's multiple-year appropriations, the unobligated balance remains available for obligation and expenditure for a specified period in excess of a fiscal year. For its no-year appropriations, the unobligated balance is carried forward and is available for obligation and expenditure indefinitely until the objectives for which it was intended have been accomplished.

Note 11, Apportionment Categories of Incurred Obligations

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions the Revolving Fund and Salaries and Expense account on a quarterly basis [Category A]. Most other accounts under OPM's control are apportioned annually [Category B], with the exception being the transfer-in from the U.S. Treasury General Fund to the Retirement Fund, which is not subject to, or exempt from apportionment [Category E]. The following table details the direct and reimbursable obligations that have been incurred against each apportionment category as of September 30, 2022 and 2021, respectively.

Table 39 – Apportionment Categories of Incurred Obligations

The amounts in the table are in millions.

For the Year Ended September 30, 2022 Program/Fund				
Program/Fund	**Category**	**Direct**	**Reimbursable**	**Total**
Retirement Program	B	$97,214	-	$97,214
Retirement Program	E	46,380	-	46,380
Subtotal		**$143,594**	**-**	**$143,594**
Health Benefits Program	B	$66,557	-	$66,557
Health Benefits Program	E	13,835	-	13,835
Life Insurance Program	B	4,206	-	4,206
Life Insurance Program	E	43	-	43
Revolving Fund Program	B	-	599	599
Salaries and Expenses	A&B	547	183	730
Total		**$228,782**	**$782**	**$229,564**

For the Year Ended September 30, 2021 Program/Fund				
Program/Fund	**Category**	**Direct**	**Reimbursable**	**Total**
Retirement Program	B	$92,615	-	$92,615
Retirement Program	E	45,975	-	45,975
Subtotal	**-**	**$138,590**	**-**	**$138,590**
Health Benefits Program	B	63,965	-	63,965
Health Benefits Program	E	13,595	-	13,595
Life Insurance Program	B	3,964	-	3,964
Life Insurance Program	E	41	-	41
Revolving Fund Program	B	-	577	577
Salaries and Expenses	A&B	767	102	869
Total		**$220,922**	**$679**	**$221,601**

Note 12, Comparison of Combined Statements of Budgetary Resources to the President's Budget

OPM reports information about budgetary resources in the Combined Statements of Budgetary Resources (SBR) and for presentation in the "President's Budget." The President's Budget for FY 2024, which will contain the actual budgetary resources information for FY 2022, will be published in February 2023 and will be available on the OMB website. The President's Budget for FY 2023, which contains actual budgetary resource information for FY 2021, was released on March 28, 2022. See the table below for comparison of Combined Statements of Budgetary Resources to the President's Budget.

Table 40 – Comparison of Combined Statements of Budgetary Resources to the President's Budget

The amounts in the table are in millions.

Comparison	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$296,166	$221,601	$47,037	$108,604
Expired Funds	(72)	-	-	-
Distributed Offsetting Receipts	-	-	(47,037)	47,037
Reconciling Differences/Rounding	(5)	(5)	-	(2)
Budget of the U.S. Government	$296,089	$221,596	-	$155,639

Note 13, Undelivered Orders End of Period

Federal and Non-Federal Undelivered orders represent goods and services ordered and obligated which have not been received. This includes any orders for which we have paid in advance, but for which delivery or performance has not yet occurred. Prior to FY 2021, due to system limitations and constraints the vendor identification code could not be connected to the general ledger balances. The data provided for the Revolving Fund and Salaries & Expenses for FY 2021 represents OPM's best estimates. In FY 2022, OPM migrated its financial system to a federal shared service provider. Undelivered orders as of September 30, 2022 and 2021, are presented in the table below.

Table 41 – Undelivered Orders End of Period

The amounts in the table are in millions.

Undelivered Orders	Revolving Fund			Salaries & Expenses		
FY 2022	**Federal**	**Non-Fed**	**Total**	**Federal**	**Non-Fed**	**Total**
Unpaid	$85	$222	$307	$86	$93	$179
Paid	2	-	2	3	-	3
Total	**$87**	**$222**	**$309**	**$89**	**$93**	**$182**
Undelivered Orders	**Revolving Fund**			**Salaries & Expenses**		
FY 2021	**Federal**	**Non-Fed**	**Total**	**Federal**	**Non-Fed**	**Total**
Unpaid	$60	$167	$227	$55	$97	$152
Paid	-	-	-	-	-	-
Total	**$60**	**$167**	**$227**	**$55**	**$97**	**$152**

Note 14, Reconciliation of Net Cost to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. As required by SFFAS 7, as amended by SFFAS 53, OPM has reconciled the net cost of operations, reported in the Statement of Net Costs, to the net outlays, reported on the Statement of Budgetary Resources.

The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays. Per A-136, the key differences fall into three categories. (1) Components of net cost that are not part of net outlays, (2) Component of net outlays that are not part of net outlays, and (3) Other Temporary Timing Difference section. OPM did not have any activity to report in the third category in FY 2022 and FY 2021, therefore, not disclosed.

U. S. OFFICE OF PERSONNEL MANAGEMENT
Combined Reconciliation of Net Operating Cost and Net Budgetary Outlays
For The Periods Ended September 30, 2022
(In Millions)

	Intra-governmental	With The Public	Total FY 2022
NET OPERATING COST	$(95,311)	$386,696	$291,385
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	(3)	(3)
Increase/(Decrease) in Assets:			
Accounts Receivable	(1,145)	(169)	(1,314)
Advances and Prepayments	5	-	5
Investments	(113)	-	(113)
Other Assets	-	(45)	(45)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(56)	60	4
Salaries and Benefits	-	(251,817)	(251,817)
Advances from Others and Deferred Credits	(2)	(6)	(8)
Other Liabilities	-	(81)	(81)
Financing Sources:			
Imputed Financing Sources	(22)	-	(22)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(1,333)	(252,061)	(253,394)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	-	-
Financing Sources:			
Transfers out (in) without reimbursements	(49)	-	(49)
Total Components of the Budgetary Outlays That are Not Part Net Operating Cost	(49)	-	(49)
Misc. Items:			
Distributed Offsetting Receipts	(47,789)	(40)	(47,829)
Appropriated Trust Fund Receipts	116,734	6,226	122,960
Total Misc. Items	68,945	6,186	75,131
NET OUTLAYS	$(27,748)	$140,821	$113,073

U. S. OFFICE OF PERSONNEL MANAGEMENT
Combined Reconciliation of Net Operating Cost and Net Budgetary Outlays
For The Periods Ended September 30, 2021
(In Millions)

	Intra-governmental	With The Public	Total FY 2021
NET OPERATING COST	$(91,439)	$281,051	$189,612
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation			
Increase/(Decrease) in Assets:			
Accounts Receivable	483	142	625
Investments	(502)	-	(502)
Other:			
Appropriated Trust Fund Receipts	112,009	5,606	117,615
Other Assets	-	44	44
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	116	(75)	41
Salaries and Benefits	1	(383)	(382)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial Liabilities)	(3)	(151,701)	(151,704)
Other Financing Sources:			
Imputed Financing Sources	(20)	-	(20)
Financing Sources Trans out without Reimb	309	-	309
Total Components of Net Operating Cost Not Part of the Budget Outlays	112,393	(146,367)	(33,974)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Distributed Offsetting Receipts	(46,996)	(38)	(47,034)
Total Components of the Budgetary Outlays That are Not Part Net Operating Cost	(46,996)	(38)	(47,034)
NET OUTLAYS	$(26,042)	$134,646	$108,604

Note 15, Health Benefits / Life Insurance Program Concentrations

During FY 2022 and FY 2021, over three-fourths of the Health Benefits Program's benefits were administered by the Blue Cross and Blue Shield Association, a fee-for-service carrier that provides experience-rated benefits.

For the Life Insurance Program, nearly all the benefits were administered by the Metropolitan Life Insurance Company in each of the fiscal years.

Note 16, COVID-19 Activity

In March 2020, the Office of Personnel Management (OPM) received a supplemental apportionment of $12 million from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act | P.L.116-136, March 27, 2020) that would remain available until September 30, 2021. These funds were provided to allow OPM to prevent, prepare for, and respond to coronavirus, domestically and internationally, including technologies for digital case management, as well as, short-term methods to allow electronic submissions of retirement application.

OPM developed a CARES Act Spending Plan for fiscal years 2022 and 2021. These funds were used to support OPM's maximum telework environment and serve OPM over the long-term as OPM continues efforts to modernize IT. The American Rescue Plan Act of 2021 (Public Law 117-2) was enacted on March 11, 2021. Section 4001 of the Act established a new category of paid leave for certain categories of Federal employees based on certain COVID-19-related qualifying circumstances. This paid leave is hereafter referred to as "emergency paid leave" or "EPL." This emergency paid leave is to be funded by a $570 million Emergency Federal Employee Leave Fund (hereafter referred to as the "Fund") administered by the Director of the Office of Personnel Management.

Table 42 – COVID-19 Activity CARES Act Spend Plan for FY 2021 & FY 2022

The amounts in the table are in millions.

Emergency Federal Employee Leave Fund for FY 2022 & FY 2021

September 30, 2022	Total
Unobligated Balance Brought Forward	$265
Obligations Incurred:	
New Obligations Undelivered	191
New Obligations Delivered Unpaid and Paid	67
Unobligated Balance	5
Previously Obligated Balances	1
Status of Budgetary Resources	$264
Outlays, Net	$74

September 30, 2021	Total
Budgetary Resources Received	$570
Obligations Incurred:	
Reimbursements Paid to Agencies	305
Other Obligations Delivered Unpaid and Paid	-
Unobligated Balance	265
Status of Budgetary Resources	$570
Outlays, Net	$300

Note 17, Reclassification of Statement of Net Cost and Statement of Changes in Net Position for FR Compilation

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appears in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the Office of Personnel Management financial statements and the Office of Personnel Management reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2021 FR can be found here: **2021 Financial Report (FR)** and a copy of the 2022 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government. The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Table 43 – Reclassification of Statement of Net Cost and Statement of Changes in Net Position

The amounts in the table are in millions.

As of September 30, 2022			
Office of Personnel Management Statement of Net Cost		**Line Items Used to Prepare FY 2022 Government-wide SNC**	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
		$265,419	***Non-Federal Costs***
Pension Expense	$208,972		
Postretirement Health Benefits	4,687		
Future Life Insurance Benefits	1,188		
Current Benefits and Premiums	48,018		
Other Gross Cost With the Public	2,554		
Total Gross Costs with the Public	**265,419**	**$265,419**	**Non-Federal Gross Cost**
			Intragovernmental Costs
		1	Benefit Program Costs
		22	Imputed Costs
		3,617	Buy/Sell Costs
		2	Other Expenses (w/o Reciprocals)
Intragovernmental	**$3,642**	**$3,642**	**Total Intragovernmental Costs**
Total Gross Costs	***$269,061***	***$269,061***	***Total Reclassified Gross Costs***
Participant Contributions	27,251		
Other With the Public Earned Revenue	13		
Total Earned Revenue with the Public	***27,264***	***27,264***	***Non-Federal Earned Revenue***
			Intragovernmental Revenue
Employer Contributions	73,775	73,775	Benefit Program Revenue
Earnings on investments	24,510	24,510	Federal Securities Interest Revenue Including Associated Gains and Losses (Exchange)
Collections Transferred In	35	35	Collections Transferred in
Other Intragovernmental Earned Revenue	335	335	Buy/Sell Revenue
Total Intragovernmental Earned Revenue	***$98,655***	***$98,655***	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	***125,919***	***125,919***	***Total Reclassified Earned Revenue***
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	148,243	148,243	Gain/Loss on Changes in Actuarial Assumptions (Non-Federal)
Net Cost of Operations	***$291,385***	***$291,385***	***Net Cost of Operations***

As of September 30, 2022			
Office of Personnel Management Statement of Changes in Net Position		**Line Items Used to Prepare FY 2022 Government-wide SCNP**	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
Unexpended Appropriations			
Unexpended Appropriations, Beginning Balance	$390	$390	Net Position, Beginning of Period
Appropriations Received	60,994	60,497	Appropriations Received as Adjusted
Other Adjustments	(494)		
		3	Non-Expenditure Transfers – In/Out of Unexpended Appropriations and Financing Sources
Appropriations Used	(60,519)	(60,519)	Appropriations Used (Federal)
Total Unexpended Appropriations - Ending Balance	**$371**	**$371**	Net Position, Ending Balance
Cumulative Results Of Operations			
Cumulative Results, Beginning Balance	($1,599,784)	($1,599,784)	Net Position, Beginning of Period
Changes in Accounting Principles			Changes in Accounting Principles
Beginning Balances, As Adjusted	($1,599,784)	($1,599,784)	Net Position, Beginning of Period
Budgetary Financing Sources			
Appropriations Used	60,519	60,519	Appropriations Expended
Transfers-In/Out Without Reimbursement	48	48	Expenditure Transfers In/Out without Reimbursement
Other Financing Sources	24	23	Imputed Financing Sources (Federal)
		1	Non-Entity Collections Transferred To the General Fund
Total Financing Sources	***$60,591***	***$60,591***	***Total Financing Sources***
Net Cost of Operations	291,385	291,385	Net Cost of Operations
Net Change	(230,794)		
Cumulative Results of Operations – Ending Balance	***($1,830,578)***	***($1,830,578)***	***Cumulative Results of Operations – Ending Balance***
Net Position	***($ 1,830,207)***	***($ 1,830,207)***	***Net Position***

Consolidating Financial Statements

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING BALANCE SHEET
As of September 30, 2022
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2022
ASSETS							
Intragovernmental:							
Fund Balance with Treasury [Note 2]	$12	$1,732	$11	$422	$349	-	$2,526
Investments [Note 3]	1,017,333	63,141	51,178	-	-	-	1,131,652
Accounts Receivable [Note 4]	1,712	809	22	4	146	($188)	2,505
Advance to Others and Prepayments	-	-	-	2	3	-	5
Total Intragovernmental	1,019,057	65,682	51,211	428	498	(188)	1,136,688
With the Public:							
Accounts Receivable, Net [Note 4]	585	1,164	187	-	-	-	1,936
General Property, Plant, and Equipment, Net	-	-	-	2	-	-	2
Other Assets [Note 1L]	-	218	701	-	-	-	919
Total With the Public	585	1,382	888	2	-	-	2,857
TOTAL ASSETS	$1,019,642	$67,064	$52,099	430	$498	($188)	$1,139,545
LIABILITIES							
Intragovernmental [Note 6]							
Accounts Payable	$71	$356	$16	$7	$7	($188)	$269
Advances from Others and Deferred Revenues	-	-	-	105	23	-	128
Other Liabilities	-	-	-	2	5	-	7
Total Intragovernmental	71	356	16	114	35	(188)	404
With the Public:							
Accounts Payable	-	-	-	16	7	-	23
Advances from Others and Deferred Revenue	-	21	-	20	-	-	41
Federal Employee Benefits Payable [Notes 5A, 5B, and 5C]	2,486,557	418,203	62,856	10	16	-	2,967,642
Other Liabilities [Note 6]	1,346	208	7	74	7	-	1,642
Total With the Public	2,487,903	418,432	62,863	120	30	-	2,969,348
TOTAL LIABILITIES	$2,487,974	$418,788	$62,879	$234	$65	($188)	2,969,752
Commitments and Contingencies [Note 7]							
NET POSITION							
Unexpended Appropriations-Funds from Other than Dedicated Collections	-	$0	$0	-	$371	-	$371
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(1,468,332)	(351,724)	(10,780)	196	62	-	(1,830,578)
TOTAL NET POSITION	($1,468,332)	($351,724)	($10,780)	$196	$433	-	($1,830,207)
TOTAL LIABILITIES AND NET POSITION	$1,019,642	$67,064	$52,099	$430	$498	($188)	$1,139,545

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING BALANCE SHEET
As of September 30, 2021
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2021
ASSETS							
Intragovernmental:							
Fund Balance with Treasury [Note 2]	$60,505	$1,666	$11	$425	$392	-	$62,999
Investments [Note 3]	931,274	67,079	50,381	-	-	-	1,048,734
Accounts Receivable [Note 4]	2,394	1,239	32	30	144	(134)	3,705
Advance to Others and Prepayment	-	-	-	-	-	-	-
Total Intragovernmental	994,173	69,984	50,424	455	536	(134)	1,115,438
With the Public:							
Accounts Receivable from the Public, Net [Note 4]	580	1,306	219	-	-	-	2,105
General Property, Plant, and Equipment, Net	-	-	-	5	-	-	5
Other Assets [Note 1L]	-	306	658	-	-	-	964
Total With the Public	580	1,612	877	5	-	-	3,074
TOTAL ASSETS	$994,753	$71,596	$51,301	$460	$536	($134)	$1,118,512
LIABILITIES							
Intragovernmental [Note 6]							
Accounts Payable	$40	$337	$13	5	$2	($134)	$263
Advances from Others and Deferred Revenues	-	-	-	126	-	-	126
Other Liabilities	-	-	-	-	-	-	-
Total Intragovernmental	40	337	13	131	2	(134)	389
With the Public:							
Accounts Payable	-	-	-	71	20	-	91
Advances from Others and Deferred Revenue	-	35	-	-	-	-	35
Federal Employee Benefits Payable [Notes 5A, 5B, and 5C]	2,237,756	418,070	59,969	-	-	-	2,715,795
Other Liabilities [Note 6]	1,276	237	38	12	32	-	1,595
Total With the Public	2,239,032	418,342	60,007	83	52	-	2,717,516
TOTAL LIABILITIES	$2,239,072	$418,679	$60,020	$214	$54	($134)	$2,717,905
Commitments and Contingencies [Note 7]							
NET POSITION							
Unexpended Appropriations-Funds from Other than Dedicated Collections	-	-	-	-	$390	-	$390
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(1,244,319)	(347,083)	(8,719)	246	92	-	(1,599,783)
TOTAL NET POSITION	($1,244,319)	($347,083)	($8,719)	$246	$482	-	($1,599,393)
TOTAL LIABILITIES AND NET POSITION	$994,753	$71,596	$51,301	$460	$536	($134)	$1,118,512

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATING STATEMENT OF NET COST

As of September 30, 2022

(In Millions)

	Retirement Program CSRS	Retirement Program FERS	Retirement Program Total	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2022
GROSS COSTS									
Intragovernmental	$2,284	$1,127	$3,411	-	-	$156	$518	($443)	$3,642
With the Public:									
Pension Expense [Note 5A]	92,308	116,664	208,972	-	-	-	-	-	208,972
Post-Retirement Health Benefits [Note 5B]	-	-	-	4,687	-	-	-	-	4,687
Future Life Insurance Benefits [Note 5C]	-	-	-	-	1,188	-	-	-	1,188
Current Benefits and Premiums	-	-	-	43,876	4,142	-	-	-	48,018
Other Gross Costs With the Public	-	-	-	2,016	23	417	98	-	2,554
Total Gross Costs With the Public	92,308	116,664	208,972	50,579	5,353	417	98		265,419
Total Gross Costs	$94,592	$117,791	$212,383	$50,579	$5,353	$573	$616	($443)	$269,061
EARNED REVENUE									
Intragovernmental:									
Employer Contributions	$4,032	$45,974	$50,006	$23,190	$650	-	-	($71)	$73,775
Earnings on Investments	2,962	19,590	22,552	1,230	728	-	-	-	24,510
Collections Transferred In	-	-	-	35	-	-	-	-	35
Other Intragovernmental Earned Revenue	(11)	(57)	(68)	(2)	-	517	260	(372)	335
Total Intragovernmental Earned Revenue	6,983	65,507	72,490	24,453	1,378	517	260	(443)	98,655
With the Public:									
Participant Contributions	287	5,469	5,756	18,296	3,199	-	-	-	27,251
Other With the Public Earned Revenue	-	-	-	10	3	-	-	-	13
Total Earned Revenue With the Public	287	5,469	5,756	18,306	3,202	-	-	-	27,264
Total Earned Revenue [Notes 8 and 9]	$7,270	$70,976	$78,246	$42,759	$4,580	$517	$260	($443)	$125,919
Net Cost	$87,322	$46,815	$134,137	$7,820	$773	$56	$356	-	$143,142
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Notes 5A, 5B, and 5C]	45,524	90,733	136,257	10,656	1,330	-	-	-	148,243
Net Cost of Operations	$132,846	$137,548	$270,394	$18,476	$2,103	$56	$356	$0	$291,385

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATING STATEMENT OF NET COST

As of September 30, 2021

(In Millions)

	Retirement Program			Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2021
	CSRS	FERS	Total						
GROSS COSTS									
Intragovernmental	$1,858	$1,401	$3,259	$5,110	-	$123	$423	($372)	$8,543
With the Public:									
Pension Expense [Note 5A]	63,327	93,033	156,360	-	-	-	-	-	156,360
Post-Retirement Health Benefits [Note 5B]	-	-	-	16,410	-	-	-	-	16,410
Future Life Insurance Benefits [Note 5C]	-	-	-	-	1,274	-	-	-	1,274
Current Benefits and Premiums	-	-	-	40,359	3,941	-	-	-	44,300
Other Gross Costs With the Public	-	-	-	3,547	22	417	134	-	4,120
Total Gross Costs With the Public	63,327	93,033	156,360	60,316	5,237	417	134	-	222,464
Total Gross Costs [Notes 8 and 9]	$65,185	$94,434	$159,619	$65,426	$5,237	$540	$557	($372)	$231,007
EARNED REVENUE									
Intragovernmental:									
Employer Contributions	$2,699	$42,708	$45,407	$28,105	$586	-	-	($64)	$74,034
Earnings on Investments	3,669	19,166	22,835	1,411	908	-	-	-	25,154
Collections Transferred In	-	-	-	15	-	-	-	-	15
Other Intragovernmental Earned Revenue	11	57	68	2	-	586	429	(308)	777
Total Intragovernmental Earned Revenue	6,379	61,931	68,310	29,533	1,494	586	429	(372)	99,980
With the Public:									
Participant Contributions	362	4,900	5,262	17,865	3,194	-	-	-	26,321
Other Earned Revenue With the Public	-	-	-	10	1	-	-	-	11
Total Earned Revenue With the Public	362	4,900	5,262	17,875	3,195	-	-	-	26,332
Total Earned Revenue [Notes 8 and 9]	$6,741	$66,831	$73,572	$47,408	$4,689	$586	$429	($372)	$126,312
Net Cost	$58,444	$27,603	$86,047	$18,018	$548	($46)	$128	-	$104,695
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Notes 5A, 5B, and 5C]	34,156	42,636	76,792	7,045	1,080	-	-	-	84,917
Net Cost of Operations	$92,600	$70,239	$162,839	$25,063	$1,628	($46)	$128	-	$189,612

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION

As of September 30, 2022

(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	FY 2022
UNEXPENDED APPROPRIATIONS						
Beginning Balance	-	-	-	-	$390	$390
	-	-	-	-	-	-
Budgetary Financing Sources:	-	-	-	-	-	-
Appropriations Received	46,380	14,330	43	-	241	60,994
Other Adjustment	-	(495)	-	-	1	(494)
Appropriations Used	(46,380)	(13,835)	(43)	-	(261)	(60,519)
Total Budgetary Financing Sources	-	-	-	-	(19)	(19)
Total Unexpended Appropriations - Ending Balance	$0	$0	$0	$0	$371	$371
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	($1,244,319)	($347,083)	($8,720)	$246	$92	($1,599,784)
Budgetary Financing Sources:						
Appropriations Used	46,380	13,835	43	-	261	60,519
Transfer-In/Out Without Reimbursement	-	-	-	-	48	48
Other Financing Sources	1	-	-	6	17	24
Total Financing Sources	46,381	13,835	43	6	326	60,591
Net Cost of Operations	270,394	18,476	2,103	56	356	291,385
Net Change	(224,013)	(4,641)	(2,060)	(50)	(30)	(230,794)
Cumulative Results of Operations - Ending Balance	($1,468,332)	($351,724)	($10,780)	$196	$62	($1,830,578)
NET POSITION	($1,468,332)	($351,724)	($10,780)	$196	$433	($1,830,207)

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION

As of September 30, 2021

(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	FY 2021
UNEXPENDED APPROPRIATIONS						
Beginning Balance	-	-	-	-	$64	$64
Budgetary Financing Sources:						
Appropriations Received	45,975	13,830	42	-	735	60,582
Other Adjustments	-	(235)	(1)	-	1	(235)
Appropriations Used	(45,975)	(13,595)	(41)	-	(410)	(60,021)
Total Budgetary Financing Sources	-	-	-	-	326	326
Total Unexpended Appropriations - Ending Balance	$0	$0	$0	-	$390	$390
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	($1,127,452)	($335,615)	($7,133)	$255	$107	($1,469,838)
Budgetary Financing Sources:						
Appropriations Used	45,975	13,595	41	-	410	60,021
Transfer-In/Out Without Reimbursement	-	-	-	(58)	(307.00)	(365)
Other Financing Sources	(3)	-	-	3	10	10
Total Financing Sources	45,972	13,595	41	(55)	113	59,666
Net Cost of Operations	162,839	25,063	1,628	(46)	128	189,612
Net Change	(116,867)	(11,468)	(1,587)	(9)	(15)	(129,946)
Cumulative Results of Operations - Ending Balance	($1,244,319)	($347,083)	($8,720)	$246	$92	($1,599,784)
NET POSITION	($1,244,319)	($347,083)	($8,720)	$246	$482	($1,599,394)

The accompanying notes are an integral part of the financial statements.

Required Supplementary Information

U.S. OFFICE OF PERSONNEL MANAGEMENT

COMBINING STATEMENT OF BUDGETARY RESOURCES

As of September 30, 2022

(In Millions)

	Retirement Program	Retirement Payment Account	Health Benefits Program	Health Benefits Payment Account	Life Insurance Program	Life Insurance Payment Account	Revolving Fund Programs	Salaries and Expenses	FY 2022
BUDGETARY RESOURCES									
Unobligated Balance from Prior Year Budget Authority, Net	-	-	$25,242	-	$48,570	-	$406	$406	$ 74,624
Appropriations	97,214	46,380	4,151	13,835	-	43	-	241	161,864
Spending Authority from Offsetting Collections	-	-	60,064	-	4,898	-	583	468	66,013
Total Budgetary Resources	$97,214	$46,380	$89,457	$13,835	$53,468	$43	$989	$1,115	$ 302,501
STATUS OF BUDGETARY RESOURCES									
New Obligations and Upward Adjustments [Note 11]	$97,214	46,380	$66,557	$13,835	$4,206	$43	$599	$730	$229,564
Unobligated Balance, End of Year:									
Apportioned, Unexpired Accounts	-	-	-	-	-	-	358	229	587
Unapportioned, Unexpired Accounts	-	-	22,900	-	49,262	-	32	81	72,275
Expired, Unobligated Balance, End of Year	-	-	-	-	-	-	-	75	75
Total Unobligated Balance, End of Year	-	-	22,900	-	49,262	-	390	385	72,937
Total Budgetary Resources	$97,214	$46,380	$89,457	$13,835	$53,468	$43	$989	$1,115	$302,501
OUTLAYS, NET									
Outlays, Net	$96,712	46,380	$4,722	$13,785	($1,028)	$43	$2	$286	$160,902
Less: Distributed Offsetting Receipts	46,920	-	909	-	-	-	-	-	47,829
Agency Outlays, Net	$49,792	$46,380	$3,813	$13,785	($1,028)	$43	$2	$286	$113,073

The accompanying notes are an integral part of the financial statements.

Required Supplementary Information

U.S. OFFICE OF PERSONNEL MANAGEMENT

COMBINING STATEMENT OF BUDGETARY RESOURCES

As of September 30, 2021

(In Millions)

	Retirement Program	Retirement Payment Account	Health Benefits Program	Health Benefits Payment Account	Life Insurance Program	Life Insurance Payment Account	Revolving Fund Programs	Salaries and Expenses	FY 2021
BUDGETARY RESOURCES									
Unobligated Balance from Prior Year Budget Authority, Net	-	-	$26,340	-	$47,753	-	$799	$119	$75,011
Appropriations	92,615	45,975	4,040	13,595	-	41	-	735	157,001
Spending Authority from Offsetting Collections	-	-	58,827	-	4,781	-	158	388	64,154
Total Budgetary Resources	$92,615	$45,975	$89,207	$13,595	$52,534	$41	$957	$1,242	$296,166
STATUS OF BUDGETARY RESOURCES									
New Obligations and Upward Adjustments [Note 11]	$92,615	$45,975	$63,965	$13,595	$3,964	$41	$577	$869	$221,601
Unobligated Balance, End of Year:									
Apportioned, Unexpired Accounts	-	-	-	-	-	-	316	297	613
Unapportioned, Unexpired Accounts	-	-	25,242	-	48,570	-	64	4	73,880
Expired, Unobligated Balance, End of Year	-	-	-	-	-	-	-	72	72
Total Unobligated Balance, End of Year	-	-	25,242	-	48,570	-	380	373	74,565
Total Budgetary Resources	$92,615	$45,975	$89,207	$13,595	$52,534	$41	$957	$1,242	$296,166
OUTLAYS, NET									
Outlays, Net	$92,347	$45,975	$4,368	$13,523	($1,018)	$41	$0	$405	$155,641
Less: Distributed Offsetting Receipts	46,016	-	1,021	-	-	-	-	-	47,037
Agency Outlays, Net	$46,331	$45,975	$3,347	$13,523	($1,018)	$41	$0	$405	$108,604

The accompanying notes are an integral part of the financial statements.

Other Information

OIG Top Management Challenges for FY 2023 Report

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

October 13, 2022

MEMORANDUM FOR THE HONORABLE KIRAN A. AHUJA
Director

FROM: KRISTA A. BOYD
Inspector General

Krista A. Boyd

SUBJECT: Final Report on the U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2023

The Reports Consolidation Act of 2000 requires the Inspector General to identify and report annually the top management challenges facing the agency. In addition, the U.S. Office of Personnel Management (OPM) annually documents its performance and accountability measures by preparing the Agency Financial Report (AFR). Attached is our final report on OPM's Top Management Challenges for Fiscal Year 2023, which will be included in OPM's AFR. Under section 8M of the Inspector General Act, as amended, the Office of the Inspector General makes redacted versions of its final reports available to the public on its webpage.

We submitted a draft report to OPM on August 11, 2022, which identified three overarching categories of challenges facing 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. OPM's comments on the draft report were considered in preparing this final report.

The final report includes written summaries of each of the challenges mentioned above. These summaries recognize OPM management's efforts to resolve each challenge. This information was obtained through our analysis and updates from senior agency managers so that the most current, complete, and accurate characterization of the challenges is presented.

I believe that the support of the agency's management is critical to meeting these challenges and will result in a better OPM for our customer agencies, Federal employees, annuitants and their families, and the taxpayers. I also want to assure you that my staff is committed to providing audit or investigative support as appropriate, and that they strive to maintain an excellent working relationship with your managers.

Please contact me, at 606-1200, if you have any questions regarding this final report, or your staff may wish to contact Michael R. Esser, Assistant Inspector General for Audits, at 606-2143, Drew M. Grimm, Assistant Inspector General for Investigations, at 606-4730, or William W. Scott, Jr., Chief, Office of Evaluations, at 606-1839.

Attachment

cc: Anne Harkavy
Chief of Staff

Dennis D. Coleman
Chief Management Officer

Benjamin C. Mizer
General Counsel

Douglas A. Glenn
Chief Financial Officer

Guy Cavallo
Chief Information Officer

Margaret P. Pearson
Associate Director, Retirement Services

Laurie E. Bodenheimer
Associate Director, Healthcare and Insurance

Shreena L. Lyons
Director, Office of Procurement Operations

Mark W. Lambert
Associate Director, Merit System Accountability and Compliance and Acting Director, Internal Oversight and Compliance

Katherine M. Hax
Chief, Risk Management and Internal Control

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

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

October 13, 2022

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.

KRISTA BOYD Digitally signed by KRISTA BOYD Date: 2022.10.13 14:57:57 -04'00'

Krista A. Boyd
Inspector General

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.

i

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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Challenge 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

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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.

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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.

<u>Risks to the FEHBP from the Opioid Crisis</u>

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.

Challenge 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.

Challenge 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.

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

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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.

Report Fraud, Waste, and Mismanagement

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

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

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

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

Agency Response to the OIG Top Management Challenges Report

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

November 14, 2022

MEMORANDUM FOR KRISTA A. BOYD
Inspector General

FROM: Kiran Ahuja
Director

SUBJECT: Agency Comments on the OIG Report – "The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2023," dated October 13, 2022

Thank you for your Fiscal Year (FY) 2023 report on the top management challenges facing OPM. Many of the challenges are complex and long-standing. However, OPM leadership is committed to strategically prioritizing resources and activities to address the challenges incrementally until resolved. Resolving the top challenges will require multi-year investments in both information technology modernizations and/or upgrades, obtaining key staffing resources, as well as substantial changes to long-standing policies, procedures, and/or programs that exist both within and outside of OPM. Agency leadership will continue to engage with the Office of the Inspector General (OIG) as corrective actions are implemented to address the top management challenges.

While we concur with the overall findings of your report, we do not concur with many of the OIG recommendations and characterizations related to the Federal Employees Health Benefits Program and stopping improper payments.

Challenge 1: Financial Integrity of OPM's Trust Funds

Federal Employees Health Benefits (FEHB) Program
FEHB Program Premiums and Healthcare Costs. The overarching objective in FEHB annual benefit and premium negotiation is improving value, promoting quality and affordability, and maintaining Program stability. The levers OPM uses to control premiums are derived from the Program's structure, as set forth in law, regulations, and policy, and include:

- Competition between Carriers
- Benefit design/cost neutrality
- Prudent use of reserves
- Assessment of plan performance

5 U.S.C. 8902(i) requires rates to "reasonably and equitably reflect the cost of the benefits provided." OPM maintained competitive rates through this year's rate negotiation, as we have throughout the FEHB Program's history.

This year's Call Letter included several initiatives to control costs and maintain Program affordability. OPM continues to address preventive health services, response to COVID-19, as well as focusing ongoing efforts on telehealth.

Additionally, in conjunction with the Departments of Health and Human Services, Labor and Treasury, OPM promulgated regulations for FEHB Carriers under 5 U.S.C. 8902(p), as added by the No Surprises Act set forth in Division BB, Title I of the Consolidated Appropriations Act, 2021. This law and accompanying regulations will control excessive out-of-pocket costs for FEHB enrollees from surprise medical billing from out-of-network providers. These provisions will provide FEHB enrollees and their family members with financial peace of mind when seeking emergency care and safeguard them from unknowingly accepting out-of-network care in connection with certain in-network facilities and subsequently incurring surprise billing expenses[1].

Prescription Drug Benefits and Costs. OPM has a long-term, multi-pronged strategy to mitigate and manage prescription drug costs while maintaining overall Program value and effectiveness. OPM continues to provide detailed guidance on pharmacy benefits in Carrier Letters (e.g., Carrier Letters 2021-03 and 2022-03). This includes formulary and benefit design strategies, drug coverage parameters, and medication management programs that Carriers must have in place. Guidance focused on pharmacy benefits has been consolidated in a regularly updated Carrier Letter to make it easier for Carriers and to improve compliance. The most recent Pharmacy Benefits Consolidated Carrier Letter was issued in February 2022, Carrier Letter 2022-02. The FEHB Program has flow-down Pharmacy Benefit Manager (PBM) transparency standards in its Carrier contracts that guide how drug discounts, rebates, administrative fees, or other financial terms with PBMs are negotiated by FEHB Carriers. In addition, OPM continuously reviews and updates the PBM transparency standards in its Carrier contracts to reflect ongoing changes in the pharmacy benefit landscape. OPM frequently engages with renowned experts on various subjects, including a PBM contracting expert who addressed FEHB Carriers at the recent 2022 FEHB Carrier Conference and highlighted major pitfalls to avoid in PBM contracts.

The OIG indicates the cost of prescription drugs (in calendar year 2021) represents approximately 32 percent of total health care expenditures in the FEHB Program and that most FEHB Carriers are reporting an increase in drug costs. The percentage of FEHB premium attributed to prescription drugs includes drugs dispensed in outpatient pharmacies, including mail-order pharmacies, and drugs administered in outpatient medical offices. We note that the FEHB Program is unique in comparison to other employer-sponsored programs in that our prescription drug expenditure includes Federal annuitants, who represent nearly one-half (46.9%) of the more than four million FEHB Program subscribers. For most annuitants and their family members over the age of 65, FEHB Program plans pay for prescription drug coverage instead of Medicare, which significantly inflates the percentage of FEHB Program spending dedicated to pharmacy benefits.

[1] HHS Announces Rule to Protect Consumers from Surprise Medical Bills | HHS.gov

There are two key points to remember when comparing FEHB Program pharmacy trends to those of other large employer group health plans. First, other large employer group health plans typically exclude retirees; if they do not, they likely have access to a retiree drug subsidy to offset pharmacy costs. Second, FEHB Carriers leverage their entire purchasing power to negotiate drug pricing on behalf of the FEHB population. For example, for community-rated Carriers, the FEHB Program benefits from the Carrier's total community experience, and for the experience-rated, the Program benefits from each Carrier's ability to negotiate based on its entire book of business, of which the FEHB Program may be a small part, resulting in substantial savings.

OPM, through its leadership, Contracting Officers, Health Insurance Specialists, and Chief Pharmacy Officer, works continuously with FEHB Carriers to ensure that they are following OPM pharmacy guidance and contractual obligations.

The OIG issued a Management Advisory Report (MAR) on the FEHB Program Prescription Drug Benefit Costs on February 27, 2020, in which it discussed concerns that OPM may not be obtaining the most cost-effective pharmacy benefit arrangements under the FEHB Program. OIG has recommended OPM conduct an updated, comprehensive study to identify ways to lower prescription drug costs. While OPM is not averse to conducting such a study, we are unable to complete a procurement to conduct a study until full funding becomes available. The MAR also suggested OPM research whether condensing prescription drug benefits under a single arrangement to be used by all FEHB plans would reduce drug costs, but current FEHB Program law precludes OPM from contracting directly with PBMs.

FEHB Program Enrollment and Eligibility. In FY 2022, Healthcare and Insurance (HI) took several steps to strengthen controls surrounding ineligible family members at the agency and Carrier level. OPM provided support and training to Federal agencies and Carriers to ensure consistent and comprehensive implementation of guidance on preventing ineligible individuals from being added to the FEHB Program as family members through a requirement to review eligibility documentation in Carrier Letter 2021-06 and Benefits Administration Letter (BAL) 2021-202, as well as guidance on identifying and removing ineligibles currently on the rolls as family members in Carrier Letter 2020-16 and BAL 2020-203. OPM has engaged and continues to engage the agencies/Agency Benefits Officers and Carriers to gain insights into their experiences following the implementation of this new guidance. In FY22, OPM updated the Eligibility page on OPM.gov and produced several Fact Sheets, which were shared with Agency Benefits Officers for employee education on family member eligibility.

The OIG notes that a gap exists in verifying family member eligibility during Open Season when agencies must process a large volume of Open Season transactions timely. OPM recognizes the potential for ineligible persons to be enrolled during this time. However, our guidance issued in Carrier Letter 2020-16 and BAL 2020-203 provides a mechanism for agencies and Carriers to retroactively identify and remove ineligibles that may have been added to enrollments as family members, including during Open Season.

The OIG indicates that OPM is unable to identify or estimate the number of ineligible family members receiving benefits or the amount of improper payments to the FEHB Program. As the enrollment process is currently structured, each agency is responsible for ensuring eligibility requirements are met.

OPM concurs with OIG's recommendation for a central enrollment portal to improve the efficiency of enrollments and reduce coverage of ineligible family members in the FEHB Program. As the report notes, OPM's vision to address these issues holistically is to move to a Government-Wide Enrollment and Member Support (GEMS) Program that would process enrollments, house enrollee and family member information, and serve as the system of record for FEHB enrollment. This government-wide project has considerable conceptual support but is currently not funded and has a lengthy timeline. We are continuing our work on the GEMS Program, including conducting market research and stakeholder outreach, and securing potential funding. As an interim but necessary step in establishing the GEMS Program, we have been working to create a historical master enrollment index (MEI) and currently have information on 96% of enrollees.

Health Benefits Carriers' Fraud and Abuse Programs. Per Section 1.9 in the FEHB standard contracts as well as in Carrier Letter 2017-13, which was developed in collaboration with OIG, OPM requires FEHB Carriers to have robust fraud, waste, and abuse (FWA) programs and to report potential FWA issues to OIG. Although OIG indicates that OPM delegates anti-fraud, waste, and abuse programs to FEHB Carriers and its contractors, in fact, per the FEHB contract, OPM requires Carriers to conduct vigorous fraud, waste, and abuse programs, and OPM has oversight regarding this contract requirement.

OPM remains committed to effective oversight and administration of the FEHB Program and strengthening controls surrounding Carriers' FWA programs, which continue to be a priority. We are reviewing OIG's concerns in this management challenge report and in response to OPM audits that address FWA requirements. For instance, we implemented new contract language for 2021 to clarify that in cases of FWA, Carriers will coordinate with OIG as required by the contract and FWA guidance prior to attempting to recover erroneous payments.

Since accurate enrollment is one component of an effective anti-FWA program, OPM believes that full implementation of the MEI will permit us to develop an accurate and complete baseline of enrollments.

Postal Service Reform Act of 2022. We agree with OIG's assessment of the new Postal Service Health Benefits Program (PSHBP) within the FEHB Program.

Stopping the Flow of Improper Payments

The FEHB Program and Improper Payments. As noted above, OPM remains committed to effective oversight and administration of the FEHB Program, and strengthening controls surrounding FEHB Carriers' Fraud, Waste, and Abuse (FWA) programs remains a priority. OIG continues to advocate that OPM/HI create a Program Integrity Office. We disagree, as this function already resides within the OIG. In creating an independent and objective 'unit', Section

9 of the Inspector General Act of 1978, as amended, transferred to OPM's OIG, the "Insurance Audits Division, Retirement and Insurance Group", and the "Analysis and Evaluation Division, Administration Group". This transfer of HI's functions created the audit and oversight functions currently performed by OIG, which form the basis of the Management-Advisory partnership we currently and collaboratively leverage to ensure program integrity across the breadth of HI's benefit programs. OPM's commitment in administering and overseeing the FWA programs via this partnership is unwavering. In addition, one of the underlying principles of the FEHB Program is that all Carriers offer a health benefits plan for which the Carrier, not the Federal Government bears the risk of claims. Since Carriers bear this risk, there is an inherent incentive to eliminate improper payments.

OPM's Office of Management and Budget (OMB)-approved current Improper Payment (IP) methodology was jointly developed by OIG, HI, and CFO leveraging OIG's full-scope, targeted, global, and Carrier-specific audits of the FEHB Program and includes fraud recoveries from OIG, FEHB Carriers and Department of Justice (DOJ) efforts. The Payment Integrity Information Act of 2019 (PIIA) and OMB Circular A-123, Appendix C, define IP reporting requirements. OMB updated its Circular A-123, Appendix C, in March 2021, and OPM/HI is actively reviewing OMB's requirements and researching other agencies' improper payment sampling plans and has procured a vendor to propose a sampling and estimation methodology plan for the FEHB Program. The agency has also responded to the recommendations in the FY 2020 OIG-issued Final Audit Report of the (FEHB) Program and Retirement Services Improper Payments Rate Methodologies and will continue to work with OIG to address the recommendations we concur with, while communicating the reasons behind those we do not.

Focused efforts have been dedicated to addressing the opioid crisis (CL2022-02), and we have supported the Administration's efforts to ensure access to diagnosis and treatment data on COVID-19. Updated and new Carrier Letters 2021-05, 2022-01, 2022-03, 2022-04, and 2022-08 were issued to address coverage of healthcare services related to COVID-19. FEHB Carriers have responded to our requests, and we will continue to monitor the situation for updated or new guidance as needed.

OIG acknowledges that centralized claims and enrollment repositories are needed to fully address this challenge. The MEI, discussed above, is a large-scale project that has been identified as a key need in HI for several years and for which substantial efforts have been taken in accordance with available resources. Similarly, OIG's suggestion that OPM establish a Program Integrity group that includes Carrier enforcement and IP Root Cause Analysis functions is a large-scale project that would require reorganization, along with increased staffing and funding.

Risks to the FEHB Program from the Opioid Crisis. OPM has been offering guidance, both formal and informal, regarding opioids since 2014 through a Utilization Review Newsletter sent to all FEHB Carriers on April 7, 2014, focusing on best practices in chronic pain management, including safe prescribing of opioids. In 2015 OPM joined the White House Interagency Task Force on Opioids. In November 2015, we communicated with all FEHB Carriers to direct attention to new provider education materials developed by CDC and promote wider access to

Medication Assisted Treatment (MAT) with buprenorphine, naltrexone, or methadone-based regimens. In October 2016, we published a Utilization Review Newsletter to share additional information on MAT. In addition, we communicated to FEHB Carriers through Carrier Letters 2022-03, 2022-02, 2021-03, 2020-01, 2019-01, 2018-01, and 2017-01. This includes prevention strategies, best practices, and evidence-based treatments that Carriers must have in place to reduce the risk for substance use disorders, including opioid use disorder. While the current opioid crisis is mostly driven by illicitly manufactured fentanyl, OPM continues to focus on safe opioid prescribing, opioid safety monitoring programs, and access to evidence-based substance use disorder treatments.

The quantity of opioids dispensed in the FEHB Program has consistently declined over the past several years. This is similar to the decline reported in the Centers for Disease Control and Prevention's U.S. Opioid Dispensing Rate Map[2]. All FEHB Carriers that adjudicate prescriptions currently have quantity limits in place that restrict the initial number of opioids that can be dispensed to opioid-naïve members and have safety edits in place to ensure the safe dispensing of all opioids. FEHB Carriers also have programs in place to monitor Morphine Milligram Equivalents (MME) across all opioid prescriptions dispensed to ensure safe opioid utilization. All FEHB Carriers cover medication-assisted treatment (MAT) for the treatment of opioid use disorder and make naloxone, an opioid reversal agent, available with no or lower cost-sharing. OPM has also included language in the FEHB contracts to ensure that PBMs and entities providing products and services used in the administration of the pharmacy benefit have FWA processes in place to proactively identify and mitigate risks related to FWA. Since opioids still play an important role in pain management, OPM does not expect opioid dispensing within the FEHB Program to continue declining indefinitely and realizes that opioid dispensing will, at some point, plateau.

HI leadership, Contracting Officers, Health Insurance Specialists, and the Chief Pharmacy Officer work with FEHB Carriers to ensure that they adhere to OPM's guidance on opioid utilization and substance use disorder treatments.

OPM recently added the National Committee for Quality Assurance (NCQA) measure - Use of Opioids from Multiple Providers (UOP) to the 2024 Plan Performance Assessment Quality, Customer Service, and Resource Use (QCR) measure set – CL2022-13. The rate collected and scored will be the Multiple Prescriber rate. A range of performance on the Multiple Prescriber rate of the UOP measure will allow OPM to better understand how FEHB Carriers are managing their networks to ensure patient safety and to reduce the risk of iatrogenic harms.

OPM's early intervention and comprehensive multi-pronged approach to the opioid epidemic has resulted in FEHB Carriers having robust programs in place to prevent, support, and treat opioid use disorder. OPM continues to monitor FEHB Carrier opioid programs and opioid utilization to

[2] https://www.cdc.gov/drugoverdose/rxrate-maps/index.html

ensure the prevention of opioid misuse, effective pain management, treatment of opioid use disorder, and supportive recovery programs within the FEHB Program.

OPM is committed to and has made significant improvements in addressing these challenges.

Challenge 2: Information Technology

In 2021, the OPM leadership appointed a new career SES as OPM's CIO. OPM's CIO has established and filled key CIO executive positions. He has also filled additional CIO leadership positions that were vacant previously. The new OCIO leadership team is providing more consistency to better address the agency's IT challenges. In FY 2022, the CIO and his expanded leadership team are implementing cloud technologies to modernize OPM's systems and applications while delivering an improved customer experience. OCIO has also implemented a program to continually review and remediate IT audit findings.

Challenge 3: Governmentwide Challenge

OPM has made great progress working with agencies on closing their high-risk mission-critical occupations (MCO). In October 2022, OPM issued a closeout report on the work that has been accomplished over the last four years. The report highlights some of the successes that agencies have had when following the OPM methodology, including 86% of CHCO Act agencies having mitigated one or more high risk MCO factors. In addition to the agency-specific accomplishments, the government-wide MCOs saw similar success with the removal of the 0511-Auditor and the 0110-Economist as Governmentwide high-risk MCOs. As a priority lead for the President's Management Agenda (PMA), priority 1, strengthening and empowering the Federal workforce, OPM has infused closing skills gaps as a priority metric to monitor progress on closing hiring and staffing targets; specifically, under the PMA, in order to attract the right talent for the right roles, agencies will be asked to create robust projections for selected MCOs and report progress towards filling those goals in order to highlight areas of needed support to compete for talent.

OPM has worked closely with agencies on specific hiring needs to close critical gaps such as:

- Launching Talent Surge Hiring Playbook and accompanying Hiring Flexibilities Sheet
- Facilitating the recruitment of candidates for critical occupations into a shared certificate to include HR across the Bipartisan Infrastructure Law (BIL) agencies.
- Consulting on appropriate hiring authorities and project management implementation
- Developing and executing a 90-day HR training "boot camp"
- Conducting a series of webinars for BIL agencies covering recruitment and hiring topics
- Developing an Agency Hiring Social Toolkit to leverage principals' voices and social media
- Deploying USAJOBS agency career pages showcasing the opportunities to recruit new talent

- Developing the Talent Surge dashboard to help facilitate data-driven decision making at agencies

OPM continues to make progress in building its own capacity and is implementing recommendations outlined in the Guidehouse Report. For example, OPM hired over 417 new employees in FY 22 as compared to 340 in FY 21.

Thank you for considering management's perspective as you developed this annual report. We look forward to a continued constructive exchange of ideas and information with you in each of these areas.

FY 2022 Summary of Financial Statement Audit and Management Assurances

OPM's Summary of Financial Statement Audit and Management Assurances are shown in Tables 44 and 45, respectively.

Table 44 – Summary of Financial Statement Audit

Financial Statement Audit Opinion and Material Weaknesses					
Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Information Systems Control Environment	1	0	0	0	1
Total Material Weaknesses	**1**	**0**	**0**	**0**	**1**

Table 45 – Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)						
Statement of Assurance	**Modified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Systems Control Environment	1	0	0	0	0	1
Total Material Weaknesses	**1**	**0**	**0**	**0**	**0**	**1**

Effectiveness of Internal Control Over Operations (FMFIA § 2)						
Statement of Assurance	**Modified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Systems Control Environment	1	0	0	0	0	1
Total Material Weaknesses	**1**	**0**	**0**	**0**	**0**	**1**

Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	**Federal Systems conform except for the below non-conformance**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Systems Control Environment	1	0	0	0	0	1
Total Non-Conformances	**1**	**0**	**0**	**0**	**0**	**1**

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
Federal Financial Management System Requirements	Lack of compliance noted	Lack of compliance noted
Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

Payment Integrity

OPM is committed to advancing a transparent, accountable, and collaborative financial management environment to fulfill its federal requirements and provide stakeholders with accessible and actionable financial information. An essential part of this commitment is the continuous improvement of payment accuracy in OPM's programs. OPM continues to implement solutions to prevent, detect, and reduce improper payments while reducing its stakeholders' unnecessary administrative burden.

The FY 2022 Payment Integrity Report includes a discussion of the following information:

- Program Descriptions (Section 1.0)
- Accountability (Section 2.0)
- Audit Recovery (Section 3.0)

For detailed information on improper payments in this and previous fiscal years, visit the Payment Accuracy Report. This site includes frequently asked questions about improper payments, annual improper payment datasets, and program scorecards.

1.0 Program Descriptions

OPM reports improper payments for FY 2022 for two major programs: Federal Retirement Services and the Federal Employees Health Benefits (FEHB) Program.

Retirement Program

OPM paid billions in defined benefits to retirees, survivors, representative payees, and families during FY 2022 under the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS). Eligible retirees and survivors generally receive monthly benefits, but, in some cases, an applicant can also receive a lump-sum payment. Eligible employees who leave Federal service before qualifying for a CSRS or FERS retirement may request that their contributions be refunded in a lump-sum amount.

Health Benefits Program

The Federal Employees Health Benefits (FEHB) Program became effective in 1960. It is the world's largest employer-sponsored group health insurance program largest, covering approximately 8.2 million Federal employees, annuitants, family members, and other eligible individuals. Since its inception, the FEHB Program has provided quality, affordable, and comprehensive health benefits. The Program offers national and local plan choices, represents excellent value, receives high satisfaction ratings, and is a vital part of the federal government's benefits package.

Healthcare and Insurance (HI) administers the FEHB Program through contracts with participating carriers that provide health benefit plans to FEHB members. Two types of carriers participate in the Program: experience-rated carriers (ERCs) and community-rated carriers (CRCs). Experience-rated carriers maintain separate accounting for their FEHB Program contracts and receive reimbursement of their actual, reasonable, allowable, and allocable administrative and claims expenses. Alternatively, community-rated carriers receive a premium based on the average revenue needed to provide benefits to their members that includes administrative expenses.

2.0 Accountability

Strengthening program integrity throughout the agency is a top priority, extending to all OPM's senior executives and program officials. As evidence of this focus, beginning with senior leadership and cascading down, performance plans contain strategic goals to enhance program integrity, protect taxpayer resources, and reduce improper payments.

OPM's Chief Financial Officer (CFO) is the Senior Accountable Official for the Payment Integrity Program. OCFO chairs an Improper Payment Working Group that includes program offices that regularly address improper payments.

Retirement Program

Senior management remains committed to ensuring the rate of improper payments remains at .38 percent or less. In 2019, the Fraud Branch was established under the Retirement Services Program to manage the integrity of the annuity roll. The Fraud Branch responds to inquiries of alleged fraud and data integrity breaches to safeguard the annuity rolls. The Branch answers fraud inquiries involving all phases of retirement processing including the proper routing of payments, the payment of life insurance, the provision of health benefits, the representative payee process, and medical review. The branch's data integrity team monitors error reports and extracts data on an annuity to confirm and correct information to maintain accuracy.

Health Benefits Program

Healthcare and Insurance Contracting Officers (CO) exercise broad authority in their day-to-day oversight of FEHB Carriers through benefit and rate negotiations, contract compliance, reviewing large provider contracts and sub-contracts, defense of lawsuits, adjudication of disputed claims, and more. Recovering and preventing improper payments are among the key factors that Contracting Officers consider when assessing performance. Accountability is inherently incorporated into Contracting Officers' routine activities, such as the use of resolution timelines to work plans, partnering with both the Office of the Inspector General (OIG) and carriers to improve fraud and abuse reporting, amending FEHB contracts, longer-term project planning, audit resolution activities, improper payment recovery goals, and other internal control-strengthening activities. Contracting Officers' and other involved management's performance standards are results-based, reflect audit resolution priorities, and are reviewed annually.

Healthcare and Insurance's oversight of carriers includes the FEHB Plan Performance Assessment (PPA), which uses a discrete set of quantifiable measures to examine key aspects of FEHB Carrier's contract performance. The Plan Performance Assessment, including the Contract Oversight component, helps ensure payment integrity by creating a risk that carriers will lose money for performance in this area. The Plan Performance Assessment determines health-plan profit or performance adjustment factors, making it a strong incentive to affect carrier behavior. Developed by OPM, Plan Performance Assessment ensures a consistent assessment system and objective performance standards and more transparency for enrollees. Overall, during the 2022 contract year scoring cycle, the FEHB Program continued to perform above the national commercial mid-point (50th percentile) in the following high-priority metrics: controlling high blood pressure, diabetes care, prenatal care, and imaging for low back pain. OPM has publicly announced to FEHB Carriers its goal to develop a risk-adjusted cost measure to help assess the value of each plan as part of the Plan Performance Assessment. This is a crucial step in evaluating the FEHB value equation (healthcare quality and affordability).

The Antideficiency Act (ADA), which is codified in 31 U.S.C. §§1341(a)(1), 1342, and 1517(a), stipulates that Federal agencies may not obligate or expend funds in excess of the amount available in an appropriation or fund in advance; accept voluntary services on behalf of the Federal Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property; or obligate, authorize, or expend funds that exceed an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation.

After September 30, 2022 OPM received financial reports from health insurance carriers funded by the Employee's Health Benefits Fund. The reports disclosed an increase in payment patterns due to an overall slow-down in claims processing which resulted in an increase in amounts owed to health care providers. The amounts owed to providers represent obligations of the Employee Health Benefits Fund and while OPM does estimate for amounts owed to health care providers, the change in insurance carrier payment patterns, in addition to actual payments to insurance carriers, exceeded the amount apportioned for the fiscal year. The Employees Health Benefits Fund has sufficient resources to cover the full obligation. Our Office of General Counsel is considering the facts and details but has not concluded, as of November 14th, whether an actual Antideficiency Act violation has occurred. Should it be determined that an Antideficiency Act violation has occurred, despite the amount being immaterial to the financial statements, we will follow the prescribed reporting procedures.

3.0 Audit Recovery

Funding an outside Recovery Audit and Activities Program for either of its reported (RS or FEHB) programs is not cost-effective. The Payment Integrity Information Act of 2019 (PIIA) requires any program that expends at least $1 million during the year to implement recovery audits, if cost-effective to the agency, to recover improper payments. The Act also allows agencies to exclude place programs with other mechanisms to identify and recapture overpayments. The Retirement Program and the FEHB Program have extensive internal recovery mechanisms and anticipate achieving continued high recovery rates for improper payments.

Compliance with Other Key Legal and Regulatory Requirements

OPM is required to comply with other legal and regulatory financial requirements, such as the DCIA.

In response to a steady increase in the amount of delinquent debt owed to the United States, and concern that appropriate actions were not being taken to collect this delinquent debt, Congress passed the DCIA of 1996, P.L. 104-134. The purpose of the DCIA was to strengthen overall controls over collections due to the Government from private parties, including Federal employees. The DCIA has had a major impact on the way OPM makes its payments and collects the monies owed to it. Table 46 summarizes OPM's debt management activity for September 2022 and 2021. OPM complies with the DCIA via cross servicing.

Cross-Servicing

Under the DCIA, all Federal agencies must refer past due, legally enforceable, non-tax debts that are more than 180 days delinquent to Treasury's Bureau of the Fiscal Service (BFS) for collection through the Treasury Offset Program (TOP). The 180day timeframe was modified by the DATA Act to 120 days.

OPM has established an agreement with BFS to cross-service its debts, which allows BFS to automatically include the debts in the TOP as part of its collection effort. A debt is legally enforceable if there has been a final agency decision that the debt, in the amount stated, is due and there are no legal bars to collection action. To date, OPM has collected more than $20.5 million via BFS cross servicing.

Table 46 – Debt Management Activity

The amounts in the table are in millions.

Retirement Program		
Receivables Activity	**September 2022**	**September 2021**
Total receivables at beginning of year	$395.08	$421.88
New receivables and accruals	$244.78	$228.37
Less collections, adjustments, and amounts written-off	$255.34	$255.17
Total receivables at end of period	$384.52	$395.08
Total delinquent	$9.84	$12.54
Percent delinquent of total receivables	2.56%	3.17%

Health Benefits Program		
Receivables Activity	**September 2022**	**September 2021**
Total receivables at beginning of year	$35.24	$32.82
New receivables and accruals	$43.04	$47.38
Less collections, adjustments, and amounts written-off	$45.33	$44.96
Total receivables at end of period	$32.95	$35.24
Total delinquent	$31.88	$34.39
Percent delinquent of total receivables	97%	97%

Travel and Purchase Card Usage

OPM measures its effectiveness in travel and purchase card usage by monitoring the percentage of the total outstanding balances that are current (less than 61 days). Tables 47 and 48 compare OPM's percentages that are more than 61 days old to Government-wide percentages.

Table 47 – Travel Card Usage

The amounts in the table are in thousands.

Travel Card Usage	September 2022*	September 2021
Outstanding Balance (OPM)	$74,917.33	$10,470.40
Outstanding more than 61 days (OPM)	$0.00	$2,187.75
% outstanding more than 61 days (OPM)	0.00%	20.89%
% outstanding more than 61 days (Government-wide)	7.38%	6.78%

* September 2022 source: GSA current and historical delinquency metrics for the CFO Act Agencies

Table 48 – Purchase Cards

The amounts in the table are in thousands.

Purchase Cards	September 2022	September 2021
Outstanding Balance (OPM)	$103.53	$81.78
Outstanding more than 61 days (OPM)	-	$0.0
% outstanding more than 61 days (OPM)	0.00%	0.00%
% outstanding more than 61 days (Government wide)	0.35%	0.53%

Civil Monetary Penalty Inflation Adjustment

On November 2, 2015, the President signed the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 ("the 2015 Act"), which was included as Section 701 of the Bipartisan Budget Act of 2015. The 2015 Act amended the Federal Civil Penalties Inflation Adjustment of 1990 to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect. OPM's penalty for 2022 is shown in the table below.

Table 49 – Civil Monetary Penalty Inflation Adjustment

Statutory Authority	Penalty Name & Description	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
5 CFR 185, 103(a); 5 CFR 185, 103(f)(2)	Civil Penalty for False Claims & Statements	2015	2022	$12,537	Not Applicable	**Civil Monetary Penalty Inflation Adjustment** 16093 FR Vol. 87, No. 55 (March 22,2022)

Appendices

Appendix A – Acronyms and Abbreviations

(Unaudited – See accompanying Independent Auditors' Report)

Acronym	Definition
AIOS	ARC Integrated Oracle Solution
ALIL	Actuarial Life Insurance Liability
AFR	Agency Financial Report
APR	Annual Performance Report
ARC	Administrative Resource Center
BFS	Bureau of the Fiscal Service
CARES	Coronavirus Aid, Relief, and Economic Security Act
CBJ	Congressional Budget Justification
CFC	Combined Federal Campaign
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CHCO	Chief Human Capital Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	Chief Information Officer
CLIA	Congressional, Legislative, and Intergovernmental Affairs
COLA	Cost of Living Adjustment
CRC	Community-Rated Carrier
CSRDF	Civil Service Retirement and Disability Fund
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act
DCIA	Debt Collection Improvement Act
DEIA	Diversity, Equity, Inclusion, and Accessibility
DISP	Debt Issuance Suspension Period
DoD	Department of Defense
DOJ	Department of Justice
DOT	Department of Transportation
DQP	Data Quality Plan
EEO	Equal Employment Opportunity

Acronym	Definition
EHRI	Enterprise Human Resources Integration
eOPF	electronic Official Personnel Folder
EPL	Emergency Paid Leave
EPV	Expected Present Value
ERM	Enterprise Risk Management
ES	Employee Services
ESC	Enterprise Service Center
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance With Treasury
FEDVIP	Federal Employees Dental and Vision Insurance Program
FEGLI	Federal Employees' Group Life Insurance
FEHB	Federal Employees' Health Benefits
FEHBAR	Federal Employees Health Benefits Acquisition Regulation
FEHBP	Federal Employees Health Benefits Program
FERS	Federal Employees Retirement System
FERS-FRAE	Federal Employees Retirement System - Further Revised Annuity Employees
FERS-RAE	Federal Employees Retirement System - Revised Annuity Employees
FEVS	Federal Employee Viewpoint Survey
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FISMA	Federal Information Security Modernization Act of 2014
FLTCIP	Federal Long-Term Care Insurance Program
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
FPRAC	Federal Prevailing Rate Advisory Committee
FR	Financial Report

Acronym	Definition
FSAFEDS	Federal Flexible Spending Account Program
FSEM	Facilities, Security & Emergency Management
FSIO	Financial Systems Integration Office
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GAS	Government Account Series
GMRA	Government Management Reform Act of 1994
GSA	General Services Administration
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
HCBRM	Human Capital Business Reference Model
HCDMM	Human Capital Data Management and Modernization
HI	Healthcare and Insurance
HMO	Health Maintenance Organizations
HR	Human Resources
HRLOB	Human Resources Line of Business
HR QSMO	Human Resource Quality Service Management Office
HRS	Human Resources Solutions
IAAs	Interagency Agreements
IPA	Independent Public Accounting (firm)
IT	Information Technology
LIFAR	Life Insurance Federal Acquisition Regulation
MSAC	Merit System Accountability and Compliance
OBI	Oracle Business Intelligence
OC	Office of Communications
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OD	Office of the Director
ODEIA	Office of Diversity, Equity, Inclusion, and Accessibility
OESPIM	Office of the Executive Secretariat, Privacy, and Information Management
OGC	Office of the General Counsel
OGE	Office of Government Ethics

Acronym	Definition
OIG	Office of the Inspector General
OMB	U.S. Office of Management and Budget
OPEB	Other Postemployment Benefits
OPIM	Office of Privacy and Information Management
OPM	U.S. Office of Personnel Management
OPO	Office of Procurement Operations
ORB	Other Retirement Benefits
OSDBU	Office of Small and Disadvantaged Business Utilization
PIIA	Payment Integrity Information Act
PL	Public Law
PRHB	Postretirement Health Benefits
PSHBP	Postal Service Health Benefits Program
PSRA	Postal Service Reform Act
PSRHB	Postal Service Retiree Health Benefits
PSRHBF	Postal Service Retiree Health Benefits Fund
QSMO	Quality Service Management Office
RMIC	Risk Management and Internal Control Group
RS	Retirement Services
SAOC	Spending Authority from Offset Collections
SBR	Statement of Budgetary Resources
S&E	Salaries and Expenses
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SNC	Statement of Net Cost
SSCLoB	Security, Suitability and Credentialing Line of Business
SuitEA	Suitability Executive Agent
TJF	Treasury Judgment Fund
TOP	Treasury Offset Program
TRB	Theodore Roosevelt Building
USC	United States Code
USPS	United States Postal Service
USSGL	United States Standard General Ledger
USSM	Unified Shared Service Management

Appendix B – Listing of Tables

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