



---

**U.S. OFFICE OF PERSONNEL MANAGEMENT  
OFFICE OF THE INSPECTOR GENERAL  
OFFICE OF AUDITS**

---

# Final Audit Report

**Audit of the U.S. Office of Personnel Management's  
Fiscal Year 2014 Improper Payments Reporting for  
Compliance with the Improper Payments Elimination  
and Recovery Act of 2010**

**Report Number 4A-CF-00-15-025**

**May 15, 2015**

-- CAUTION --

This audit report has been distributed to Federal officials who are responsible for the administration of the audited program. This audit report may contain proprietary data which is protected by Federal law (18 U.S.C. 1905). Therefore, while this audit report is available under the Freedom of Information Act and made available to the public on the OIG webpage (<http://www.opm.gov/our-inspector-general>), caution needs to be exercised before releasing the report to the general public as it may contain proprietary information that was redacted from the publicly distributed copy.

# EXECUTIVE SUMMARY

*Audit of the U.S. Office of Personnel Management's Fiscal Year 2014 Improper Payments Reporting for Compliance with the Improper Payments Elimination and Recovery Act of 2010*

Report No. 4A-CF-00-15-025

May 15, 2015

## **Why Did We Conduct the Audit?**

The objective of our audit was to determine if the U.S. Office of Personnel Management's (OPM) improper payments reporting in the fiscal year (FY) 2014 Annual Financial Report (AFR) was compliant with the Improper Payments Elimination Recovery Act (IPERA) requirements.

## **What Did We Audit?**

The Office of the Inspector General (OIG) has completed a performance audit on OPM's FY 2014 improper payments reporting for compliance with IPERA. Our audit fieldwork was conducted from January 20 through April 14, 2015 at OPM headquarters, located in Washington, D.C.

## **What Did We Find?**

We determined that OPM's reporting of improper payments is in compliance with IPERA; however, OPM can improve on its oversight controls over improper payments reporting.

1. **Improper Payments Information in the AFR was Inaccurately Reported**
  - For Retirement Services (RS) and the Healthcare and Insurance offices there were several inaccuracies between what was reported in the FY 2014 AFR and the supporting documentation that we obtained from the program offices.
2. **Improper Payments Information in the AFR was Insufficient or Unsupported.**
  - RS's supporting documentation to show that Benefits Officer Training was provided during FY 2014 was insufficient.
  - RS could not provide supporting documentation for five statements in the FY 2014 AFR.



---

Michael R. Esser  
*Assistant Inspector General  
for Audits*

# ABBREVIATIONS

<b>AFR</b>	<b>Agency Financial Report</b>
<b>FEHBP</b>	<b>Federal Employees Health Benefits Program</b>
<b>FY</b>	<b>Fiscal Year</b>
<b>GAO</b>	<b>U.S. Government Accountability Office</b>
<b>HI</b>	<b>Healthcare and Insurance Office</b>
<b>IP</b>	<b>Improper Payments</b>
<b>IPERA</b>	<b>Improper Payments Elimination and Recovery Act of 2010</b>
<b>OCFO</b>	<b>Office of the Chief Financial Officer</b>
<b>OIG</b>	<b>Office of the Inspector General</b>
<b>OMB</b>	<b>U.S. Office of Management and Budget</b>
<b>OPM</b>	<b>U.S. Office of Personnel Management</b>
<b>PAR</b>	<b>Performance and Accountability Report</b>
<b>PIC</b>	<b>Policy and Internal Control</b>
<b>RS</b>	<b>Retirement Services Office</b>
<b>DMF</b>	<b>Death Master File</b>

# TABLE OF CONTENTS

	<u>Page</u>
<b>EXECUTIVE SUMMARY</b> .....	i
<b>ABBREVIATIONS</b> .....	ii
<b>I. BACKGROUND</b> .....	1
<b>II. OBJECTIVE, SCOPE, AND METHODOLOGY</b> .....	4
<b>III. AUDIT FINDINGS AND RECOMMENDATIONS</b> .....	6
1. Improper Payments Information in the AFR was Inaccurately Reported .....	6
2. Improper Payments Information in the AFR was Insufficient or Unsupported .....	9
<b>IV. MAJOR CONTRIBUTORS TO THIS REPORT</b> .....	12
<b>APPENDIX (OPM’s response to our draft report, dated April 30, 2015)</b>	
<b>REPORT FRAUD, WASTE, AND MISMANAGEMENT</b>	

# I. BACKGROUND

This final audit report details the findings, conclusions, and recommendations resulting from our performance audit of the U.S. Office of Personnel Management's (OPM) Fiscal Year (FY) 2014 Improper Payments Reporting for compliance with the Improper Payments Elimination and Recovery Act of 2010. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

On July 22, 2010 and January 10, 2013, the President signed into law the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012, respectively, which amended the Improper Payments Information Act of 2002. Implementing guidance for IPERA was issued by the U.S. Office of Management and Budget (OMB) via Memorandum M-11-16 on April 14, 2011, and was updated via Memorandum M-15-02 on October 20, 2014. Under the guidance, a program is deemed susceptible to significant improper payments<sup>1</sup> if the total amount of overpayments plus underpayments in the program exceeds both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or, \$100,000,000 regardless of improper payments percentage of total program outlays.

Each agency Inspector General is required to review improper payments reporting in the Agency Financial Report (AFR) or Performance and Accountability Report (PAR) to determine compliance with IPERA. The Inspector General should submit a report of its findings within 180 days of the agency publication of the AFR or PAR.

Under IPERA, agencies must do the following with respect to improper payments reporting:

- publish an AFR or PAR for the most recent fiscal year and post that report on the agency website;
- conduct a program-specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 United States Code;
- publish improper payments estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment;
- publish programmatic corrective action plans in the AFR or PAR;
- publish and meet annual reduction targets for each program assessed to be at risk and measured for improper payments; and
- report a gross improper payments rate of less than 10 percent for each program and activity for which an improper payments estimate was obtained and published in the AFR or PAR.

---

<sup>1</sup> An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

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

Two of OPM’s earned benefit programs, the Retirement and the Federal Employees Health Benefits Program (FEHBP), are by definition susceptible to significant improper payments. OPM’s reported improper payments and overpayments recaptured for FY 2014 are summarized in the following tables.

<b>FY 2014 Improper Payments Summary<sup>2</sup></b>					
	<b>Total Outlays (\$ millions)</b>	<b>Gross Improper Payments (\$ millions)</b>	<b>Overpayments (\$ millions)</b>	<b>Underpayments (\$ millions)</b>	<b>2014 Improper Payments %</b>
<b>Retirement</b>	78,816.4	303.3	243.0	60.3	0.38%
<b>FEHBP</b>	45,839.5	104.8	101.0	3.8	0.23%

<b>FY 2014 Overpayments Recaptured Summary<sup>3</sup> (in millions)</b>						
	<b>Improper Payments (IP) Amount Identified for Recovery in FY 2014</b>	<b>IP Amounts Recovered in FY 2014</b>	<b>IP Amount Identified for Recovery in Prior Years</b>	<b>Amounts Recovered in Prior Years</b>	<b>Cumulative Amounts Identified in Prior Years and FY 2014</b>	<b>Cumulative Amounts Recovered in Prior Years and FY 2014</b>
<b>Retirement</b>	233.1	189.3	1,504.1	1,231.4	1,737.2	1,420.7
<b>FEHBP<sup>4</sup></b>	101.0	100.6	792.6	830.1	893.6	930.7

<sup>2</sup> Data collected from Table 12 “Improper Payments Reduction Outlook” on page 124 of OPM’s FY 2014 AFR.

<sup>3</sup> Data collected from Table 13 “Overpayments Recaptured Outside of Payments Recapture Audits” on page 124 of OPM’s FY 2014 AFR.

<sup>4</sup> Based on records that were available, to develop the ‘Prior Years’ and ‘Cumulative Years’ figures, there were ‘recovered amounts’ with no corresponding ‘identified amounts’.

<b>Implementation of the Do Not Pay Initiative to Prevent Improper Payments<sup>5</sup></b>						
	<b>Number (#) of Payments Reviewed for Improper Payments</b>	<b>Dollars(\$) of Payments Reviewed for Improper Payments</b>	<b>Number (#) of Improper Payments Stopped</b>	<b>Dollars (\$) of Improper Payments Stopped</b>	<b>Number (#) of Improper Payments Not Stopped</b>	<b>Dollars (\$) of Improper Payments Not Stopped</b>
<b>Between October 1, 2013 and September 30, 2014 for All Databases</b>	10	\$31,546	0	\$0	0	\$0
<b>Reviews with SSA's Death Master File (DMF) Only</b>	6	\$12,245	0	\$0	0	\$0

**Status of Previous Audit Recommendation**

This is the fourth audit of OPM’s improper payments reporting. During the audit on OPM’s FY 2013 Improper Payments Reporting for Compliance with the Improper Payments Elimination and Recovery Act of 2010 Audit, Report # 4A-CF-00-14-009, we determined that OPM’s reporting of improper payments was in compliance with IPERA. However, in that report we issued a finding relating to inaccuracies found between the information reported in the AFR and the support that was provided. We recommended that OPM strengthen its oversight controls over the improper payments data reported in the AFR to ensure that it accurately reflects the supporting data. Based on the results of our audit, as outlined in the Findings and Recommendations section of this report, the recommendation remains open.

<sup>5</sup> Data collected from Table 14 “Implementation of the Do Not Pay Initiative to Prevent Improper Payments” on page 130 of OPM’s FY 2014 AFR.

## II. OBJECTIVE, SCOPE, AND METHODOLOGY

### **Objective**

The objective of our audit was to determine if OPM's improper payments reporting in the AFR was compliant with the IPERA requirements. Specifically, we determined if:

- OPM published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
- OPM conducted a program specific risk assessment for each program or activity;
- OPM published improper payments estimates for each program and activity identified as susceptible to significant improper payments under its risk assessment;
- OPM published programmatic corrective action plans in the AFR or PAR;
- OPM published and met, annual reduction targets for each program assessed to be at risk and estimated for improper payments; and,
- OPM reported a gross improper payments rate of less than 10 percent for each program and activity for which an improper payments estimate was obtained and published in the AFR or PAR.

The recommendations included in this final report address this objective.

### **Scope and Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards as established by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective.

The scope of our audit covered OPM's FY 2014 improper payments reporting in OPM's AFR. We performed our audit fieldwork from January 20 through April 14, 2015 at the OPM headquarters, located in Washington, D.C.

To accomplish our audit objective noted above, we:

- Reviewed the improper payments section of OPM's FY 2014 AFR to assess compliance with IPERA;
- Reviewed our prior year's audit finding and obtained the status of corrective actions;
- Reviewed applicable Federal laws;
- Reviewed applicable OMB guidance;
- Verified source documentation for all numerical data on improper payments as documented in the AFR tables;



- Verified source documentation for numerical amounts stated in the narrative discussion on improper payments made in the AFR; and
- Interviewed program representatives from the Office of the Chief Financial Officer (OCFO), and the Healthcare and Insurance (HI) and Retirement Services (RS) offices.

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

Our audit included such tests and analysis of OPM's supporting documentation provided for the AFR as we considered necessary under the circumstances. The results of our review and tests indicate that with respect to the items tested, OPM is in compliance with the improper payments reporting requirements; however, OPM needs to strengthen its controls over the AFR reporting process.

We did not sample improper payments for testing and did not evaluate the effectiveness of the general and application controls over computer processed data.

The preliminary results of our audit were discussed with OPM officials at an exit conference held on April 14, 2015 and were presented in a draft audit report, dated April 16, 2015. OPM's comments in response to the draft report were considered in preparing our final report and are included as an Appendix.

# III. AUDIT FINDINGS AND RECOMMENDATIONS

The sections below detail the results of our audit on the FY 2014 Improper Payments Reporting for compliance with the IPERA Act of 2010. Recommendation 1 was issued last year and is rolled forward from the audit of OPM's FY 2013 Improper Payments Reporting for compliance with IPERA (Report No. 4A-CF-00-14-009, issued April 10, 2014).

## 1. Improper Payments Information in the AFR was Inaccurately Reported

During our audit we identified several inaccuracies between what was reported in the FY 2014 AFR and the supporting documentation that we obtained from the program offices. Specifically, we noted the following:

### Retirement Services Office

AFR Table 13, Overpayments Recaptured Outside of Payments Recapture Audits:

- The *IP Amount Identified for Recovery in Prior Years* amount was inaccurately reported as \$1,504.1 million, when it should have been reported as \$1,682 million. Through discussions with RS we determined that RS understated the *IP Amount Identified for Recovery in Prior Years* by \$177.9 million.
- RS's *Amounts Recovered in Prior Years* was understated by \$159.5 million.
- The *Cumulative Amount Identified for Recovery in Prior Years FY 2014* was understated by \$177.9 million.
- RS's *Cumulative Amounts Recovered in Prior Years FY 2014* was understated by \$159.5 million.

**Improper payments information reported in the AFR was inaccurate.**

AFR Table 14, Implementation of the Do Not Pay Initiative to Prevent Improper Payments:

- OPM overstated the Number (#) of payments reviewed for improper payments for all do not pay data between October 1, 2013 and September 31[sic], 2014 all databases by 4 and overstated Dollars (\$) of payments reviewed for improper payments by \$13,558.
- OPM overstated the Number (#) of payments reviewed for improper payments for the Reviews with the DMF only [SSA's Death Master File] by 3 and overstated the Dollars (\$) of payments reviewed for improper payments by \$8,490.

Death Match Statistics Table:

- RS stated that the *Percent of total Population* in the Death Match Statistics table reported in the FY 2014 AFR was incorrectly reported as 15.4 percent when it should have been 1.54 percent. We were not able to verify the validity of this error because supporting documentation was not provided.

The accuracy rate for the FY 2014 retirement application submissions (October 1, 2013 - July 31, 2014) was inaccurately reported at 94 percent, when it should have been reported as 84 percent.

Healthcare and Insurance Office

AFR Table 12, Improper Payments Reduction Outlook:

- HI reported \$43,583.6 million as the 2013 outlays in FY 2014 AFR table 12. However, this number was reported in FY 2013 AFR as \$43,583.7, a difference of \$0.1 million.

AFR Table 13, Overpayments Recaptured Outside of Payments Recapture Audits:

- The *Cumulative Amounts Identified in Prior Years* FY 2014 table 13 for FEHBP was understated by \$23.5 million due to an uncorrected error from 2008.

In addition, the following two inaccuracies were identified in our FY 2013 report, Improper Payments Reporting for Compliance with the Improper Payments Elimination and Recovery Act of 2010, which should have been corrected in the FY 2014 AFR. We noted that the information is still inaccurately reported in the AFR.

- The amount identified by RS for recovery in prior years was understated by \$0.6 million in the FY 2013 AFR Table 13, Overpayments Recaptured Outside of Payments Recapture Audits.
- The amounts recovered by RS in prior years were overstated by \$18 million in the FY 2013 AFR Table 13, Overpayments Recaptured Outside of Payments Recapture Audits.

OPM requires its programs to submit improper payments information to OCFO for inclusion in the AFR. The *OCFO's Work Instruction for Reporting Improper Payments for the Agency Financial Report* states the following:

- “The RM [Resource Management] Chief and the Deputy Assistant Director [for RS] are ultimately responsible for the collection and reporting of the data [reported in the AFR].”

- “PIC [Policy and Internal Control] reviews the narrative information to ensure it aligns with OMB A-136 instructions for reporting and OMB A-123, Appendix C and provides feedback accordingly to respective offices.”
- “PIC also reviews the tables to ensure that the numbers and percentages tally. Additionally, PIC will have a second reviewer verify that the information being reported from RS and HI on the supporting spreadsheet reconciles to the information recorded in the AFR. Furthermore, PIC will provide feedback accordingly to RS and HI. Once the data has been verified and accepted as accurate.”

The U.S. Government Accountability Office (GAO) Standards for Internal Control in the Federal Government states that “Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives ... Control activities are an integral part of an entity’s planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.”

Without proper controls over its improper payments reporting process, OPM may continue to report incomplete and inaccurate improper payments data in its AFR.

**Recommendation 1 (Rolled-Forward from FY 2013):**

We recommend that OPM strengthen its oversight controls over the improper payments data reported in the Agency Financial Report to ensure that it accurately reflects supporting data.

**OPM’s Response:**

“We note that the actual total received from CFO in 2013 was \$43,583,675,857.13, which rounds up to \$43,583.7 million. However, the number reported in the FY 2014 AFR was truncated to \$43,583.6 million. The difference between the 2014 reported number and the actual number was \$75,857.13, or less than 0.0002% of total outlays.”

“We do not have support to explain why the number reported in the 2008 AFR differs from the number OIG provided to HI in 2008. However, we obtained clarification from the Office of Management and Budget (OMB) that the guidance is not clear how many years back the “cumulative” amounts should include. OMB also stated that it would be reasonable to go as far back as FY 2011. The Improper Payment Working Group will determine the number of years to include in the cumulative column going forward. Additionally, OMB provided draft changes to OMB Circular A-136 which have changed this table and removed the cumulative columns all together. If this change is made final, this will be inconsequential in the FY 2015 AFR.

We are implementing changes in the processes to capture and resolve inaccuracies in supporting data. OPM expects to complete the corrective actions for this recommendation by September 30, 2015.”

**OIG Comment:**

When prior year data is presented in the current year AFR, the data should remain consistent from year to year. If the data is not reported in a consistent manner due to corrections or reporting changes, it should be notated and an explanation should be provided in the AFR.

**Recommendation 2:**

We recommend that in the FY 2015 AFR, OPM correct all the errors identified in the FY 2014 AFR tables 12, 13, 14, and the Death Match Statistics table.

**OPM's Response:**

“Errors identified will be corrected in the FY 2015 AFR Tables 12, 13, 14 and the Death Match Statistics table.

OPM expects to complete the corrective actions for this recommendation by November 15, 2015 which is the required date for OPM to complete its AFR.”

**2. Improper Payments Information in the AFR was Insufficient or Unsupported**

We found that the documentation provided for the following RS improper payments information reported in OPM's FY 2014 AFR was insufficient:

- OPM did not provide documentation for three Benefits Officer Training sessions provided during FY 2014, listed on page 119.

In addition, during our review, RS could not provide supporting documentation for the following data reported in the AFR:

- \$24 million in cost savings through the Retirement Services Disability Earnings Match, listed on page 118;
- The most recent FY 2014 audit of all agency retirement packages that were used to report improper payments, listed on page 120;
- The 300 military call up cases and the total of seven cases reissued with increased annuities, listed on page 119;
- The 22 percent of all frequent errors that represent the retiree's eligibility to continue health insurance coverage is the same in the FY 2013 AFR and FY 2014 AFR, listed on page 120; and,
- The \$11,878 in cost savings associated with the Marital Survey conducted in FY 2014 that was part of the \$600 thousand total cost savings reported in the AFR, listed on page 118.

**Improper payments information in the AFR was insufficient or unsupported.**

OMB memorandum M-15-02, dated October 20, 2014 states that it is the agency's responsibility for maintaining documentation that demonstrates the review of all programs and activities to identify those that are susceptible to significant improper payments and to implement a plan to reduce improper payments.

OPM requires its programs to submit improper payments information to the OCFO for inclusion in the AFR. The *OCFO's Work Instructions for Reporting Improper Payments for the Agency Financial Report* states the following:

- “The RM [Resource Management] Chief and the Deputy Assistant Director [for RS] are ultimately responsible for the collection and reporting of the data [reported in the AFR].”
- “PIC reviews the narrative information to ensure it aligns with OMB A-136 instructions for reporting and OMB A-123, Appendix C and provides feedback accordingly to the respective offices.”

GAO's *Standards for Internal Control in the Federal Government* states that, “Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.”

RS's internal controls are inadequate for maintaining documentation to support the improper payments information reported in OPM's AFR.

As a result of RS not having sufficient supporting documentation, the improper payments information reported in OPM's FY 2014 AFR may be erroneous.

### **Recommendation 3:**

We recommend that RS develop policies and procedures that include a discussion of sufficient documentation retention to support the improper payments data reported in OPM's AFR.

### **OPM's Response:**

“The CFO Work Instruction will be revised to include processes for Retirement Services personnel to ensure that personnel have the supporting documentation, descriptions, and details on the information being reported in the AFR, and we will put into place additional steps to ensure that the documentation is retained in file.

OPM expects to complete the corrective action for this recommendation by September 30, 2015.”

**Recommendation 4:**

We recommend that OCFO strengthen their procedures to ensure that the improper payments information reported in OPM's AFR is supported, reviewed, and validated for accuracy prior to the information's inclusion in the AFR.

**OPM's Response:**

"The CFO Work Instruction has been revised to address information reported in the AFR. Data reported must be accompanied with the supporting documentation. Unsupported data cannot be reported in the AFR.

OPM expects to complete the corrective action for this recommendation by September 30, 2015."

# IV. MAJOR CONTRIBUTORS TO THIS REPORT

## INTERNAL AUDITS GROUP

██████████, Auditor

██████████, Auditor

██████████, Auditor

██████████, Auditor

██████████, Auditor

██████████, Auditor-in-Charge

---

██████████████████, Senior Team Leader

██████████████████, Group Chief



APPENDIX



Chief Financial  
Officer

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

APR 30 2015

MEMORANDUM FOR: MICHAEL ESSER  
Assistant Inspector General for Audits



FROM:

DENNIS D. COLEMAN  
Chief Financial Officer

KENNETH ZAWODNY  
Associate Director  
Retirement Services

JOHN O'BRIEN  
Associate Director  
Healthcare and Insurance

SUBJECT   OIG DRAFT AUDIT REPORT  
Audit of the U.S. Office of Personnel Management's FY 2014 Improper  
Payments Reporting for Compliance with the Improper Payments Elimination and  
Recovery Act of 2010 (IPERA) Audit Report Number - 4A-CF-00-15-025, dated  
April 16, 2015

Thank you for the opportunity to respond to your review of OPM's reporting on improper payments under IPERA. Reducing improper payments is an important priority for the Administration and OPM is firmly committed to this priority. We are pleased that OIG has found OPM is compliant with IPERA based on our FY 2014 Agency Financial Report (AFR).

OPM has prioritized reducing improper payments as one of its key efforts to reduce waste, fraud, abuse and inefficiencies in Federal programs. OPM continues to make progress in efforts to reduce the extent and rate of improper payments and to recover an increasing percentage of improper payments. The Chief Financial Officer (CFO), Retirement Services (RS) and Healthcare and Insurance (HI) organizations believe its cumulative efforts over the past few years have improved the OPM improper payments program. The Improper Payment Working Group (IPWG) is the focal point for coordinating improvements in our program and for ensuring that our reporting is accurate and in compliance with IPERA and associated Office of Management and Budget (OMB) guidance.

1

We concur with the recommendations but believe Recommendation 1 should be rescinded since it is the same recommendation as FY 2013. We will address our corrective action below for Recommendation 1.

**Recommendation 1**

We recommend that OPM strengthen its oversight controls over the improper payments data reported in the Agency Financial Report to ensure that it accurately reflects supporting data.

**Management Response to Recommendation 1**

OIG noted inaccuracies between the information reported in the AFR and the support that was provided. As a result, the recommendation from the previous audit remains open. The previous recommendation is the same recommendation from last fiscal year; therefore we propose that the current recommendation be rescinded.

**REDACTED BY OIG  
NOT RELEVANT TO FINAL REPORT**

*OIG Finding:* OIG noted that the Health Insurance Table 12 – AFR Table 12, Improper Payment Reduction Outlook: HI reported \$43,583.6 million as the 2013 outlays in FY 2014 AFR Table 12. However, this number was reported in FY 2013 AFR as \$43,583.7, a difference of \$0.1 million.

**Management Response:** We note that the actual total received from CFO in 2013 was \$43,583,675,857.13, which rounds up to \$43,583.7 million. However, the number reported in the FY 2014 AFR was truncated to \$43,583.6 million. The difference between the 2014 reported number and the actual number was \$75,857.13, or less than 0.0002% of total outlays.

**REDACTED BY OIG  
NOT RELEVANT TO FINAL REPORT**

*OIG Finding:* OIG indicated in Table 13, Overpayments Recaptured Outside of Payment Recapture Audits: for the *Cumulative Amounts Identified in Prior Years FY 2014 FEHB* was understated by \$23.5 million due to an uncorrected error from 2008.

**Management Response:** We do not have support to explain why the number reported in the 2008 AFR differs from the number OIG provided to HI in 2008. However, we obtained clarification from the Office of Management and Budget (OMB) that the guidance is not clear how many years back the "cumulative" amounts should include. OMB also stated that it would be reasonable to go as far back as FY 2011. The Improper Payment Working Group will determine the number of years to include in the cumulative column going forward. Additionally, OMB provided draft changes to OMB Circular A-136 which have changed this table and removed the cumulative columns all together. If this change is made final, this will be inconsequential in the FY 2015 AFR.

We are implementing changes in the processes to capture and resolve inaccuracies in supporting data. OPM expects to complete the corrective actions for this recommendation by September 30, 2015.

#### **Recommendation 2**

We recommend that in the FY 2015 AFR, OPM correct all the errors identified in the FY 2014 AFR Tables 12, 13, 14, and the Death Match Statistics table.

#### **Management Response to Recommendation 2**

**REDACTED BY OIG  
NOT RELEVANT TO FINAL REPORT**

However, we recognize after the fact that errors did occur and as noted above, we self-reported them to the OIG during the survey phase of the audit. Furthermore, errors identified will be corrected in the FY 2015 AFR Tables 12, 13, 14 and the Death Match Statistics table.

OPM expects to complete the corrective actions for this recommendation by November 15, 2015 which is the required date for OPM to complete its AFR.

#### **Recommendation 3**

We recommend that RS develop policies and procedures that include a discussion of sufficient documentation retention to support the improper payments data reported in OPM's AFR.

#### **Management Response to Recommendation 3**

OIG notes that RS's internal controls are inadequate for maintaining documentation to support the improper payments information reported in OPM's AFR. The CFO Work Instruction will be revised to include processes for Retirement Services personnel to ensure that personnel have the supporting documentation, descriptions, and details on the information being reported in the

AFR, and we will put into place additional steps to ensure that the documentation is retained in file.

OPM expects to complete the corrective action for this recommendation by September 30, 2015.

**Recommendation 4**

We recommend that CFO strengthen their procedures to ensure that the improper payments information reported in the OPM's AFR is supported, reviewed and validated for accuracy prior to the information inclusion in the AFR.

**Management Response to Recommendation 4**

The CFO Work Instruction has been revised to address information reported in the AFR. Data reported must be accompanied with the supporting documentation. Unsupported data cannot be reported in the AFR.

OPM expects to complete the corrective action for this recommendation by September 30, 2015.



## **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:** <http://www.opm.gov/our-inspector-general/hotline-to-report-fraud-waste-or-abuse>

**By Phone:** Toll Free Number: (877) 499-7295  
Washington Metro Area: (202) 606-2423

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

**-- CAUTION --**

This audit report has been distributed to Federal officials who are responsible for the administration of the audited program. This audit report may contain proprietary data which is protected by Federal law (18 U.S.C. 1905). Therefore, while this audit report is available under the Freedom of Information Act and made available to the public on the OIG webpage (<http://www.opm.gov/our-inspector-general>), caution needs to be exercised before releasing the report to the general public as it may contain proprietary information that was redacted from the publicly distributed copy.