



**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 2022**

October 13, 2021

OFFICE OF
PERSONNEL MANAGEMENT

Executive Summary

The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2022

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The Purpose of This Report

The Reports Consolidation Act of 2000 requires the Inspector General to identify and report annually the top management challenges facing the agency. This year, we separated the challenges into four overarching categories of challenges facing the U.S. Office of Personnel Management (OPM) – the continuing shortfall in OPM's funding, which relates to budgetary issues impacting 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 Government-wide.

What Did We Consider?

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

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What Did We Find?

The Office of the Inspector General identified the following four top management challenges:

- Continuing Shortfall in OPM's Funding;
- Financial Integrity of OPM's Trust Funds;
- Information Technology; and
- Government-wide Challenge.

Some of these challenges are due to external factors including, but not limited to, a transfer of functions from OPM, shifting demographics, an aging Federal population, higher utilization of prescription drugs, and a shortfall in OPM's funding. 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.

Abbreviations

COVID-19	Coronavirus Disease 2019
DCSA	Defense Counterintelligence and Security Agency
FEHBP	Federal Employees Health Benefits Program
FEI	Federal Executive Institute
FY	Fiscal Year
GAO	U.S. Government Accountability Office
GSA	General Services Administration
IT	Information Technology
NAPA	National Academy of Public Administration
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
TRB	Theodore Roosevelt Federal Building

Table of Contents

Executive Summary	i
Abbreviations	ii
Top Management Challenges	1
1. Continuing Shortfall in OPM’S Funding.....	1
2. Financial Integrity of OPM’S Trust Funds	2
3. Information Technology	14
4. Government-wide Challenge	18
Report Fraud, Waste, and Mismanagement	

Top Management Challenges

Challenge 1: Continuing Shortfall in OPM's Funding

Due to the massive breach of background investigation data in 2015, the President and Congress transferred the responsibility for conducting all background investigations from the U.S. Office of Personnel Management's (OPM) National Background Investigations Bureau to the Department of Defense's Defense Counterintelligence and Security Agency (DCSA), effective October 1, 2019. The background investigation function was a large component of OPM, contributing over \$2.24 billion in revenue to OPM's budget in fiscal year (FY) 2019. The transfer of the background investigation function left a shortfall in OPM's budget that continues to be mitigated through DCSA's buyback of certain information technology (IT) and financial services and by Congress and the President providing additional appropriations.

While OPM successfully mitigated the shortfall in FYs 2020 and 2021, the problem remains, and a long-term solution is necessary. OPM transferred ownership of the National Background Investigations Bureau IT legacy systems to DCSA on October 1, 2020, and while OPM is responsible for operating the supporting infrastructure through a buyback of services arrangement through the end of FY 2021, the plan is for this arrangement to end then. Until OPM can fully analyze its needs and priorities and submit a budget request to appropriately fund the agency, OPM will need to continue to work with Congress and the Administration to request additional funding to mitigate the shortfall.

As will be discussed throughout this report, OPM's budgetary issues are affecting its ability to fund projects that are needed to improve and modernize OPM's IT platform, the processing of retirement claims, and the management and delivery of Federal employee benefits, such as the Federal Employees Health Benefits Program (FEHBP). The challenge for OPM is to fund projects ensuring its IT platform can meet OPM's basic technology needs, as well as formulate its budget to adequately address the modernization needs of the various program offices.

Budgetary Implications of Activities Related to the Proposed OPM Merger with the General Services Administration (GSA)

As discussed in detail in last year's Top Management Challenges Report,¹ the Trump Administration's proposal to merge OPM with GSA was not well planned or supported, causing chaos and uncertainty that negatively impacted OPM's budget and the ability for OPM to successfully meet its mission. While the planned merger was ultimately stopped, the years of uncertainty caused a loss of talent and left OPM with a budget that does not sustain its operations. Going forward, OPM will need to "right size" the organization, develop a budget that can adequately support its mission, and hire talent to meet these goals.

¹ *The U. S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2021*, issued October 16, 2020.

Challenge 2: Financial Integrity of OPM's Trust Funds

In addition to OPM's role as the chief human resources and personnel policy manager for the Federal Government, OPM is responsible for administering Government-wide benefits for Federal employees and their dependents, annuitants, and survivors. The largest of these benefit programs are the:

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

Statistics related to the retirement, health benefits, and life insurance programs are:

- they have approximately \$1.1 trillion in combined assets held in three trust funds;
- there are over 8 million participants in the FEHBP; and
- the retirement programs make more than \$7.5 billion in monthly annuity payments to nearly 2.7 million Federal annuitants.

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 cost are on-going 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 ever-increasing cost of health care, and especially the cost of prescription drugs, is a national challenge, affecting not only OPM. It is an ongoing challenge for OPM to keep these premium rate increases in check while not impacting the level of benefits offered. There are several initiatives that OPM is adopting to meet the challenge of providing quality health care for enrollees, while controlling costs. Examples include enhancements to price and quality transparency, as well as addressing surprise billing and low-value care. However, as addressed throughout this report, OPM's budget situation significantly impacts its ability to complete research and implement changes and improvements.

Prescription Drug Benefits and Costs

Prescription drug costs continue to increase in the FEHBP, currently representing approximately 30.5 percent of total health care spending. 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 the 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. 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 with a pharmacy benefits 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 benefits managers; the FEHBP carriers are responsible for negotiating these contracts on behalf of the Federal Government. Due to this minimal involvement, the negotiated fees (which are ultimately borne by the FEHBP) may not provide the best value to FEHBP members and the American taxpayer.

The Office of the Inspector General (OIG) issued a Federal Employees Health Benefits Program Prescription Drug Benefit Costs Management Advisory Report² about this very topic. The Management Advisory Report identified variances among several of the FEHBP fee-for-service carriers with respect to contractual arrangements with pharmacy benefits 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 a \$58 billion annual 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 drug costs in the FEHBP. While the agency supports the idea of a prescription drug study, thus far it remains an unfunded priority.

Federal Employees Health Benefits Program Enrollment and Eligibility

The FEHBP is the largest employer-sponsored health care program in the world, covering more than 8.2 million Federal civilian employees, retirees, and their eligible family members. However, the enrollment process for the FEHBP relies on a decentralized, self-certifying process

² *Management Advisory Report - Federal Employees Health Benefits Program Prescription Drug Benefit Costs*, (Report No. 1H-01-00-18-039), issued February 27, 2020.

that can expose the program to fraud, waste, and abuse. Identifying ineligible dependents is often difficult. Fraud, waste, and abuse involving ineligible dependents can occur over years before being discovered. In addition, the scope of the problem is unknown. OPM currently is 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.

OPM has created policies intended to keep ineligible beneficiaries from being enrolled in the FEHBP. However, this issue remains a top challenge for the FEHBP and there are further actions OPM can take.

There is no centralized enrollment portal allowing OPM to manage the enrollment of the FEHBP members and eligible dependents. Currently, employing offices at Federal agencies and the FEHBP health insurance carriers are responsible for collecting and verifying the documentation to support changes to the FEHBP enrollments. According to OPM guidance, “Both [the] FEHBP Carriers and employing offices have a shared responsibility to verify and confirm family member eligibility.”

On April 15, 2021, OPM’s Healthcare and Insurance office issued a Carrier Letter (CL 2021-06), instructing the FEHBP health insurance carriers to require proof of family member eligibility before adding a family member to an existing Self and Family enrollment, with stricter proof requirements for foster children and common law marriages.

Benefits Administration Letter 21-202, dated April 15, 2021, from OPM’s Healthcare and Insurance office, provides guidance to employing offices on requesting proof of family member eligibility for new employees enrolling in the FEHBP or employees requesting changes to their benefits based on a qualifying life event, such as marriage or the birth of a child. However, during Federal Benefits Open Season—when most of these changes are made—employing offices are not required to verify family member eligibility. While this exception stops employing offices from being overwhelmed by the volume of changes made during Open Season, it also creates an obvious gap in any safeguards ensuring that ineligible beneficiaries are not enrolled in the FEHBP.

OPM has recognized the lack of a centralized enrollment portal as an issue and has stated that it is trying to address the issue through the development of the Central Enrollment Portal. However, OPM has not been able to sufficiently fund this project or create a timeline to fully develop and implement the much-needed system. While OPM has made changes to improve the verification of eligibility under its current system, the creation of the Central Enrollment Portal is still potentially significant to both capturing the scope of ineligible beneficiary-related improper payments and ultimately reducing the loss to the FEHBP.

It is also important that OPM enhance its understanding of the scope of ineligible beneficiary fraud, waste, and abuse so that it can continue its prevention and management efforts.

Health Benefit Carriers' Fraud and Abuse Programs

Fraud, waste, and abuse remains a threat to the financial integrity of OPM's trust fund programs. As we have stated in previous Top Management Challenges reports, the aspects of this challenge are consistent across OPM programs and include:

- ongoing threats from program fraud, waste, and abuse;
- programs that lack adequate controls to support program integrity; and
- high costs of improper payments without accurate accounting of improper payment rates.

The FEHBP experiences conventional, ongoing threats from fraud, waste, and abuse that impact the U.S. health care system generally. Nationwide health trends or crises, such as the opioid epidemic or the Coronavirus Disease 2019 (COVID-19) pandemic, require action to prevent improper payments while still providing high quality care to Federal employees, retirees, and their eligible dependents. However, the FEHBP also faces specific, unique challenges because of its nature as a Federal program and because of how OPM manages the program.

OPM delegates the antifraud and program integrity function to the FEHBP health insurance carriers, which is further delegated to a multilayered environment of contractors and subcontractors, such as pharmacy benefit managers. This can create a difficult, somewhat patchwork collection of efforts to prevent fraud, waste, abuse, or patient harm. For example, a recent audit³ published findings related to opioid prescriptions where a contracted pharmacy benefit manager failed to follow the policies of an FEHBP health insurance plan. These types of oversight and program integrity complications can allow for improper payments or patient harm throughout the program.

There are long-standing identified weaknesses in this delegated environment. The OPM OIG continues to advocate for the creation of a Program Integrity Office to respond to global fraud, waste, and abuse trends that affect the FEHBP, as further discussed in the next section, *Stopping the Flow of Improper Payments: The Federal Employees Health Benefits Program*.

³ *Limited-Scope Audit of Blue Cross Blue Shield's Opioid Claims as Administered by CVS Caremark for the Service Benefit Plan in Contract Years 2017 through 2019* (Report No. 1H-01-00-20-015), issued May 26, 2021.

Stopping the Flow of Improper Payments

The Federal Employees Health Benefits Program

As stated previously, OPM has contracted out its responsibilities for preventing fraud, waste, and abuse in the FEHBP, thereby creating vulnerabilities with the lack of a global approach.

Because the FEHBP lacks a centralized source for claims and enrollment data, obstacles exist in preventing fraud trends that can affect the entire FEHBP. The lack of a Program Integrity Office dedicated to the identification and assessment of fraud, waste, and abuse is a challenge that OPM has acknowledged but cited costs and other constraints as barriers to implementation. However, the creation of a Program Integrity Office has been a perennial recommendation by the OPM OIG, and one the OIG anticipates OPM can implement by working to overcome the existing obstacles with support and cooperation from its stakeholders.

As the COVID-19 pandemic has shown, health care crises can be swiftly developing and stress the program in ways difficult to predict. Moreover, the opioid and drug abuse crisis has demonstrated that the past legacies of health care can surge into long-lasting problems for the FEHBP. Every health care crisis is accompanied by unique fraud, waste, or abuse that harms and exacerbates the stress on the program. The ability to respond to these threats is urgent, and the widespread, entangled, and layered web of fraud, waste, and abuse programs has vulnerabilities that could be best mitigated by a centralized Program Integrity Office.

The OPM OIG Office of Audits released an April 2020 audit report⁴ on the methodologies OPM uses to calculate its improper payment rates for both the Retirement Services and Healthcare and Insurance program offices. OPM partially concurred with the recommendations and stated that the Healthcare and Insurance program office would continue to review its methodology, including exploring multiple options to update the calculation. The review of options and potential improvements is expected to continue through FY 2022. The outcome is predicated on sufficient resource availability, and they cannot guarantee that the improper payment rate methodology will change after the review. The OIG stresses that continuing with the current improper payment rate calculation will continue to provide what we believe to be an inaccurate accounting of improper payments. Continued efforts to develop a more accurate measure of improper payments will help the agency respond to issues spread across the FEHBP.

In that same audit report, the Healthcare and Insurance program office stated that it is “not currently resourced to perform additional, more rigorous validation of [fraud, waste, and abuse] data, which may require further action by the carriers.” However, a dedicated Program Integrity Office could be tasked with such activity. The level of trust that the Healthcare and Insurance

⁴ *Audit of the U.S. Office of Personnel Management’s Federal Employees Health Benefits Program and Retirement Services Improper Payments Rate Methodologies* (Report No. 4A-RS-0018-035), issued April 2, 2020.

program office must place in the FEHBP health insurance carriers because of the decentralized nature of the FEHBP and the lack of a Program Integrity function leaves the program open to potential fraud, waste, and abuse going undetected by OPM.

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 System and Civil Service Retirement System

In FY 2020, OPM reported it paid \$299 million in improper payments related to its Retirement Programs. Like the FEHBP, we believe that these improper payments are understated.

IT modernization, as identified elsewhere in this report, remains a major challenge for OPM. 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 millions of dollars lost annually to improper payments. OPM has previously acknowledged this weakness and stated that root cause analysis is limited by existing legacy systems and outdated IT infrastructure: “system limitations prevent OPM from expanding reporting in the root causes [of improper payments]. [...] To properly categorize the root cause categories, an upgrade to the current legacy system is required.”

At this time, OPM has yet to provide documentation to the OIG to support its position that current legacy systems are not able to produce root cause data on a granular level for improper payments. Moreover, the agency has not provided a corrective action plan for any future system upgrades in order to categorize root causes. OPM states that it has initiated several modernization efforts regarding retirement systems and processes that should improve the ability to identify and prevent fraud.

OPM’s intent to modernize its IT infrastructure, move away from, or mitigate its legacy IT systems, and otherwise attempt to bring its retirement processing operations into the 21st century is well known. 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.

Most improper payments that harm OPM retirement programs happen over many years. Stronger root cause analysis could help Retirement Services quickly identify signs of potential improper payments that warrant a review. While preventing improper payments from occurring

will always be a goal—in part with the modernizing of retirement program IT infrastructure—a more robust program integrity program within the current system is still needed.

Retirement Services has not sufficiently invested in the staff to perform program integrity work such as survey processing. Limited program integrity infrastructure and operations creates a permissive environment for improper payments. The OIG's Office of Investigations has shown that project-based analysis of retirement files, such as the remarried annuitant project and death record searches for annuitants aged older than 90 years with no medical claims, can lead to the recovery of improper payments. Work by Retirement Services' Fraud Branch has similarly shown the potential for analytical work to reduce improper payments, but currently the OIG receives few fraud referrals. Implementing consistent proactive projects to manage the annuity roll (in addition to current surveys and matches) is one such potential tool to detecting and stopping additional improper payments.

Identifying root causes of improper payments under the current IT infrastructure and legacy systems would potentially be significant to saving taxpayer dollars. The OIG continues to suggest work to understand the environment of improper payments. Understanding current weaknesses will potentially help OPM develop and implement better strategies to reduce improper payments and improve any IT modernization projects.

Risks to the FEHBP from the Opioid Crisis

Opioid and substance abuse disorder continues to be an issue affecting the health of the FEHBP enrollees and a challenge for OPM's management of the program. According to the Centers for Disease Control and Prevention, preliminary data shows an increase in opioid-related deaths during the COVID-19 pandemic. This increase is a setback after the first declines in opioid deaths in years and is a saddening new chapter to the nationwide opioid and substance use disorder crisis.

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.

A recent audit⁵ of an FEHBP carrier provides areas where OPM can enforce contract or Carrier Letter actions to encourage the safe prescribing and dispensing of opioids. Specifically, the audit of a large FEHBP carrier identified a need for the carrier to strengthen its controls to ensure only allowable opioids were safely prescribed and dispensed. The Pharmacy Benefit Manager used by the health insurance carrier did not have sufficient safeguards to stop excessive quantities of

⁵ *Limited-Scope Audit of Blue Cross Blue Shield's Opioid Claims as Administered by CVS Caremark For the Service Benefit Plan in Contract Years 2017 through 2019* (Report No. 1H-01-00-20-015), issued May 26, 2021.

opioids from being processed and paid for and allowed for some opioid prescriptions without obtaining the prior approvals required by the FEHBP health insurance carrier's policies.

OPM must continue to work with its FEHBP health insurance carriers to make sure that policies designed to promote the proper prescribing and usage of opioids and protect the FEHBP beneficiaries from harm are followed. The audit also highlights our ongoing concern about the multiple levels of contractors and subcontractors to the FEHBP health plans that may run afoul of OPM efforts against global threats, issues, or concerns that face the FEHBP.

Our auditors found that the audited FEHBP's carriers had previously seen a decline in opioid claims between 2017 and 2019. However, the FEHBP carrier data suggests that the number of claims for opioid prescriptions and the total cost of those prescriptions increased from 2019 to 2020. Part of OPM's management of the FEHBP in a post-pandemic opioid and substance use disorder environment will involve the recovering of progress ceded during the COVID-19 pandemic.

Preventing opioid addiction reduces ancillary costs to the program from comorbid conditions and other health risks. Policies that discourage opioid addiction can prevent patient harm, both from direct opioid usage and from potential bad actors who take advantage of substance use disorder patients in sober homes or other recovery centers that engage in fraud such as body brokering or otherwise do not promote a healthy and safe environment for rehabilitative treatment. The OIG continues to receive case notifications and referrals from these types of cases and investigate those that involve patient harm. The OIG understands OPM's commitment to fighting the challenges faced by its beneficiaries from the ongoing opioid and substance abuse crisis.

Retirement Claims Processing

Retirement claims processing is yet another challenge to OPM's trust fund financial integrity. In FY 2020, OPM paid approximately \$90 billion in defined benefits to retirees, survivors, Representative Payees, and families. OPM's Retirement Services program office is responsible for determining Federal employees' eligibility for retirement benefits; processing retirement applications for Federal employees, survivors, and family members; issuing annuity payments to eligible retirees and surviving spouses; collecting premiums for health and life insurance; and providing customer service to annuitants.

The timely issuance of annuitants' payments remains a challenge for OPM, especially coordinating retirement benefits between OPM and other Federal agencies for disability benefits and workers' compensation. In OPM's Strategic Plan (FY 2018 - 2022), Goal 4's objective is to "[i]mprove retirement services by reducing the average time to answer calls to five minutes or less and achieve an average case processing time of 60 days or less." OPM appears to remain

focused on its internal process improvements and external outreach towards other Federal agencies to meet their goal. However, Retirement Services' average case processing time from October 2020 through April 2021 was 75 days, 25 percent above their goal of "60 days or less." OPM explains that, as of April 2021, initial retirement cases processed in less than 60 days took an average of 44 days to complete, whereas cases processed in more than 60 days took an average of 99 days to complete. In addition, based on a recent audit,⁶ we found that disability applications are often incomplete when they are received by OPM, which requires further development of the case before moving to the next phase of processing. Further, the case management system is a legacy system requiring 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 have been resolved and we are awaiting documentation supporting implementation of corrective actions to close the recommendations.

Regarding customer service calls, as of May 29, 2021, the average time to answer of 10 minutes and 16 seconds for FY 2021 represented an increase of approximately four minutes since FY 2020 and is more than double the goal of five minutes or less. Retirement Services explained that since FY 2020 the average time to answer calls increased due to a loss of 24 customer service specialists during OPM's 11 month hiring freeze, increased call volume due to the COVID-19 pandemic, and an unstable telecommunications (Telephony) platform impacting service levels. Retirement Services is taking steps to strengthen its operations, including:

- Hiring customer service specialists to replace the losses.
- Stabilizing its Telephony platform and procuring a new cloud-based contact center solution.
- Working with a contractor to standardize case data and ensure consistency between daily and weekly system reports.
- Putting a reporting system into production to track the timeliness of medical determinations and actions for screening and development.
- Continuing to collaborate with OPM's Office of the Chief Information Officer (OCIO) to investigate technological capabilities to improve processing, reduce wait times, and modernize systems and data.
- Continuing to improve on its Online Retirement Application and integrate improvements for correspondence and claims processing through periodic reviews of responses to customer inquiries and providing feedback to employees if the responses could be strengthened or more complete.

⁶ *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.

- Continuing to update their template responses as retirement rules and regulations change and incorporate the changes into training material and standard operating procedures.
- Providing monthly and ad hoc feedback to agencies and payroll offices and alerting them of trends and improvement opportunities.

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 OPM OIG continues to receive contacts and complaints from 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.

Legacy systems and manual processes that we have identified in previous Top Management Challenges reports contribute to this issue by increasing the backlog of cases and long processing times that make interim payments necessary. Many of these calls are related to concerns about interim annuity payments made until the final adjudication of retirement claims. OPM has been working with GSA's Information Technology Modernization Centers for Excellence since November 2020 to modernize the obsolete Federal Annuity Claims Expert System. If the system is implemented as scheduled in the third quarter of FY 2022, case processing time should improve.

The need for a modern, digital retirement system remains essential, and it is a huge challenge for OPM. Additional customer service staffing and improved operational processes are also 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.

Until the systems and service environment receive further investment and development, potential improvements to the customer service operations of Retirement Services could create a better experience for the public. The OPM OIG previously suggested that OPM reinstitute a customer service/public advocate or ombudsman as a resource for beneficiaries to receive assistance with common issues that were frequently the subject of calls the OIG Hotline received. That function previously existed at OPM as recently as 2017 before being somewhat absorbed as a function of the Office of the Director. The restarting of this office as of May 2021 is a development the OIG will observe with interest to see the effects on OPM's customer service results. We hope that the ombudsman office will have a positive effect on resolving the issues of dissatisfied annuitants.

Retirement Services Call Center Issue and Status

As reported last year, addressing concerns with OPM's retirement program office was a top priority for former OPM Director Dale Cabaniss. She was particularly concerned about the Retirement Services call center amid widespread reports from annuitants of inadequate service and that Retirement Services routinely limited the number of calls to be placed in the answer queue. OPM engaged the U.S. Digital Service to recommend options to improve the call center.

The U.S. Digital Service team produced a report, which although not a complete study, contained several initial findings. OPM established a team in the OCIO to address these findings, which focused on business process and technology improvements. Some of the issues identified include the following:

- There is insufficient capacity to handle call volume.
- Technical support for the IT systems that support call center operations is lacking.
- The call center facility does not have adequate telecommunications capacity.
- The system was configured to inappropriately "throttle" calls during peak volume, leading to excessive wait times and busy signals with no explanation to callers.
- The call center is staffed by Federal employees, which limits the ability to surge staffing during peak times.
- The automated call distribution software is glitchy and requires frequent daily resets, which terminates all calls in the queue, leading to frustrated and unhappy customers.

The OPM team partnered with McKinsey and Company on a five-week sprint, completed in May 2020, to address some of these issues. The team worked from the premise that there are solvable problems, and that significant improvement could be realized with simple solutions. For example, a large call volume is associated with annuitants asking simple questions and requesting password resets. To address these issues, the team recommended simple and low-cost solutions like improving outreach, using plain language content on the website, enhancing website search functions, and introducing self-service password resets. There are also longer-term problems that will require time and resources to address.

While OPM made strides in the last year to enhance the Retirement Services call center operations, fundamental change will require an investment of time and resources and improved business processes. Because the technology and infrastructure are not fully optimized for true call center operations, the OPM OCIO is spearheading a 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 also has the ability to 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 informed us that in July 2021 the agency awarded a contract to implement a cloud-based contact center solution designed to increase efficiency and service delivery.

From a business perspective, as discussed in some detail in the next section, OPM program office leaders will need to avoid the silo mindset, take an enterprise view, and focus on customers. To some extent, an optimized call center operation is also tied to the overall retirement systems modernization effort. It will be a challenge for OPM to secure the necessary resources to invest in a long-term solution and work together toward a solution that is in the best interest of Federal annuitants and their families.

Challenge 3: 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 with respect to its technical security environment, consolidation of data centers, data encryption, and multifactor authentication, the agency is still burdened by legacy, 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 former Chief Information Officer articulated a compelling vision for IT modernization that could be successful if it is fully supported by OPM leadership and properly funded over time. OPM commissioned McKinsey and Company to conduct an independent, in-depth study to identify a path forward and estimate the costs of fulfilling the Chief Information Officer's vision. The current Chief Information Officer is now in the process of executing this way ahead.

The study resulted in recommendations for a phased approach that starts with modernizing and stabilizing core IT systems and processes and building an effective organizational structure within the agency's OCIO to implement the modernization initiatives. OPM's former Chief Information Officer had described an IT deficit at OPM that resulted from years of deferred IT maintenance and inadequate technology funding. The focus of phase one will be to build the foundation for a mature, stable, and consistently implemented IT program that is on par with industry standards.

There are several critical areas that OPM will need to address to achieve its phase one baseline:

- Complete the transition of the legacy National Background Investigations Bureau systems to DCSA.
- Recruit the staff needed to implement a successful IT modernization program.
- Promote an enterprise-oriented mindset to reduce the complexity of OPM's IT environment.
- Secure the funding necessary to achieve the phase one modernization goals.

On October 1, 2020, OPM transferred ownership of the legacy National Background Investigations Bureau systems to DCSA. This move means that the systems are no longer part of OPM's system inventory, and that DCSA is responsible for their maintenance, operation, and modification, and for maintaining the systems' authorities to operate and related security documentation. However, OPM is still responsible for operating the supporting infrastructure under a buyback arrangement with DCSA, which assumed responsibility for the background investigations program on October 1, 2019. This arrangement is still in place and distracts

OPM's attention away from implementing its plan, as well as diverting limited OCIO resources to support the effort.

OPM successfully decoupled the legacy systems from other systems in the OPM mainframe environment and is in position to transfer full responsibility to DCSA. However, DCSA is still developing the necessary technical capability and business processes. In the meantime, OPM will need to provide user, infrastructure, network, and security support services. The current plan is to continue the buyback arrangement in FY 2022 and reassess each year.

Another challenge for OPM will be to recruit and retain the talent needed to successfully modernize its IT environment. OPM's OCIO is severely understaffed, especially at crucial leadership positions. The OCIO also needs staff with skills well suited for modernization programs such as agile development, cloud architecture, and data/application integration. Although OCIO has made progress in staffing at the leadership level, this will continue to be a challenge going into FY 2022.

As OPM's OCIO builds the right size staff with the necessary talents, it will be critical to replace program office-oriented IT solutions with an enterprise approach. In the past, the OCIO has sometimes been unable to deliver desired IT services, which resulted in some program offices developing their own solutions. This "shadow IT" causes significant problems. For example, it creates an overly complex IT environment that is more difficult to secure. It also creates a culture where the OCIO is not considered a strategic partner in achieving organizational goals. We discussed this problem extensively in our FY 2018 Federal Information Security Management Act audit report (Report No. 4A-CI-00-18-039). Creating an OCIO that can deliver solutions and changing the stovepipe mindset will be a major challenge for the agency going forward.

Perhaps the most important challenge associated with achieving the phase one goal is securing the necessary funding. Complicating this is the funding shortfall caused by the transfer of the National Background Investigations Bureau to DCSA on October 1, 2019. In FY 2019, the National Background Investigations Bureau contributed approximately \$18 million more in shared IT services than it consumed, which essentially subsidized IT services for other OPM program offices. The independent study conducted by McKinsey and Company determined that OPM would need between \$205 million and \$234 million, including funding to account for the shortfall, over three years to achieve this phase one modernization goal and an additional \$55 million per year to maintain this enhanced IT environment.

We have also reported extensively over the last several years about OPM's failure to follow the Office of Management and Budget's capital planning and budgeting processes, and adhere to disciplined project management practices, with respect to previous IT modernization and system development projects. In particular, OPM has not in the past fully developed the business case for change, which should include a well-defined future state and detailed cost estimates to achieve it.

For the first time in many years, OPM is in a position where there is a persuasive vision combined with a detailed plan to successfully see it through. If the agency can achieve the phase one modernization goal, it will stabilize its critical IT functions and reduce the risk of compromising sensitive data. It will also position the agency for its phase two transformational goal of achieving seamless, end-to-end business processes based on modern data and infrastructure. For example, the long-held vision of automating the Federal employee experience from hiring to retirement could be realized.

The agency's challenge is to take advantage of this opportunity, seek appropriate funding, and start on its modernization journey. It will also have to minimize the voices of the self-interested naysayers and start to change the agency culture to an enterprise-wide mindset that values the role of the Federal Chief Information Officer as a strategic business partner who is critical in reaching organizational 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, we included, as required, a compendium of open recommendations. In this document, we identified a total of 136 unique open recommendations from our annual Federal Information Security Management Act and related information systems audits. Several of these recommendations refer to internal control weaknesses identified as far back as 2008.

Some of these 136 recommendations may have become obsolete, some of them could be addressed through corrective action that would require little effort to implement, but most of the open recommendations are for corrective actions that will require a moderate to significant level of effort and resources to put into place. We have worked with OPM to sort the open recommendations into these groups.

OPM's OCIO has taken steps to address the open recommendations through some recent personnel moves, and by assigning a senior level OCIO staff member to oversee and manage the process of addressing open IT audit recommendations. This should begin to make some progress with obsolete or straightforward recommendations.

However, many of the recommendations relating to more challenging corrective action will depend on progress of the modernization program described in the previous section. For example, there is a longstanding recommendation that OPM implement multifactor authentication at the application level, but this cannot be done until legacy systems are modernized.

OPM has recently begun a new initiative at both the OCIO and agency level to plan, prioritize, and begin to implement corrective action and resolve open recommendations. While this is a welcome development, the challenge for the agency will be to implement the mature governance and enterprise solutions to properly manage corrective action for internal control weaknesses.

Challenge 4: Government-Wide 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 Government-wide 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 of which remain open as of November 2020.

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 and assessing information on agencies' use of hiring authorities to identify opportunities to refine, consolidate, eliminate, or expand agency specific hiring authorities to other agencies and implement changes where OPM is authorized.

According to GAO's 2021 report "mission-critical skills gaps both within Federal agencies and across the Federal workforce pose a high risk to the nation because they impede the government from cost effectively serving the public and achieving results. Causes of these skills gaps vary; however, they are often due to a shortfall in one or more talent management activities such as robust workforce planning or training. Currently, OPM has stated that it is assisting agencies in addressing emerging workforce needs in the wake of the COVID-19 pandemic."

OPM has made progress in closing skills gaps by recently closing the last OPM Priority Recommendation in GAO-15-223, *OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps*, in which all open recommendations are now closed, thus closing out this engagement. In addition, OPM asserts that there have been some positive responses to address the cause of skills gaps, such as Kiran Ahuja's confirmation as the permanent OPM Director on June 22, 2021. Director Ahuja's appointment sets the stage for consistent leadership and senior level advice and guidance in human capital across the Executive Branch. OPM stated that:

- they are directly supporting the Biden Administration's talent surge efforts to close skills gaps through recruiting and hiring top talent.
- they revised and issued new policies and supported Executive Orders to reduce agency barriers and expand opportunity in the posting, application and hiring processes for Federal positions (e.g., post-secondary hiring authority).

- through the USAJOBS USA Staffing and staff acquisition support, OPM is directly helping agencies hire talent faster and more efficiently in key occupations, including positions in cybersecurity, health care, financial management, and transportation security.

OPM also asserts that they supported agencies through the closing skills gaps initiative to assist them in closing their agency-specific skills gaps in high-risk mission critical occupations.

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. The reason for the study was the Trump Administration's plan to move OPM's policy functions to the Office of Management and Budget and to merge the remaining functions with GSA.

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. It presents the results of the congressionally mandated study of OPM's functions and the associated challenges in executing those functions. The study imparts a roadmap of actions needed to raise the attention on, and value of, human capital for addressing critical workforce issues by reframing OPM's mission and affording the agency the foundation needed to lead strategic human capital management Government-wide. With a new Administration and Congress, the report provides an opportunity for a fresh look at changes OPM can make to become both the organization and the Government-wide leader it was always meant to be.

As a result of the study, NAPA identified a number of challenges that affect OPM's ability to effectively deliver on its mission to lead Federal human capital management. These include myriad authorities governing Federal human capital; lack of sustained leadership and priorities given the recurrent turnover of directors and deputy directors; and constrained financial and staffing resources affecting staff capacity.

In the report, NAPA made 23 recommendations to address key findings in three areas: the OPM Role, Leadership and Mission; Core Mission Functions and Programs; and Supporting Functions Enabling Mission Execution. NAPA feels that successful implementation of the recommendations should yield the following results:

- Human capital is recognized and supported as a strategic priority across Government by the Administration, the Congress, and Federal agencies.
- OPM's role is reaffirmed and strengthened as the leader for strategic human capital management Government-wide.

- OPM’s approach to human capital management evolves from predominantly compliance oriented to customer-focused, value-added, data-driven, and forward-looking, encouraging innovation and sharing of best practices.
- OPM’s technology platforms are modernized, affording secure and efficient access to human capital data and systems supporting Government-wide human capital management.

In response to the NAPA report, OPM issued a report to Congress on September 13, 2021, that accepts and has developed action plans to implement nearly all the NAPA recommendations. OPM stated that some of the NAPA recommendations require legislation and/or additional funding to implement. OPM also stated that it has aligned its action plans with the newly drafted OPM Strategic Plan to ensure implementation and accountability.

OPM should continue to fully implement GAO and NAPA’s recommendations related to this high-risk area.



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