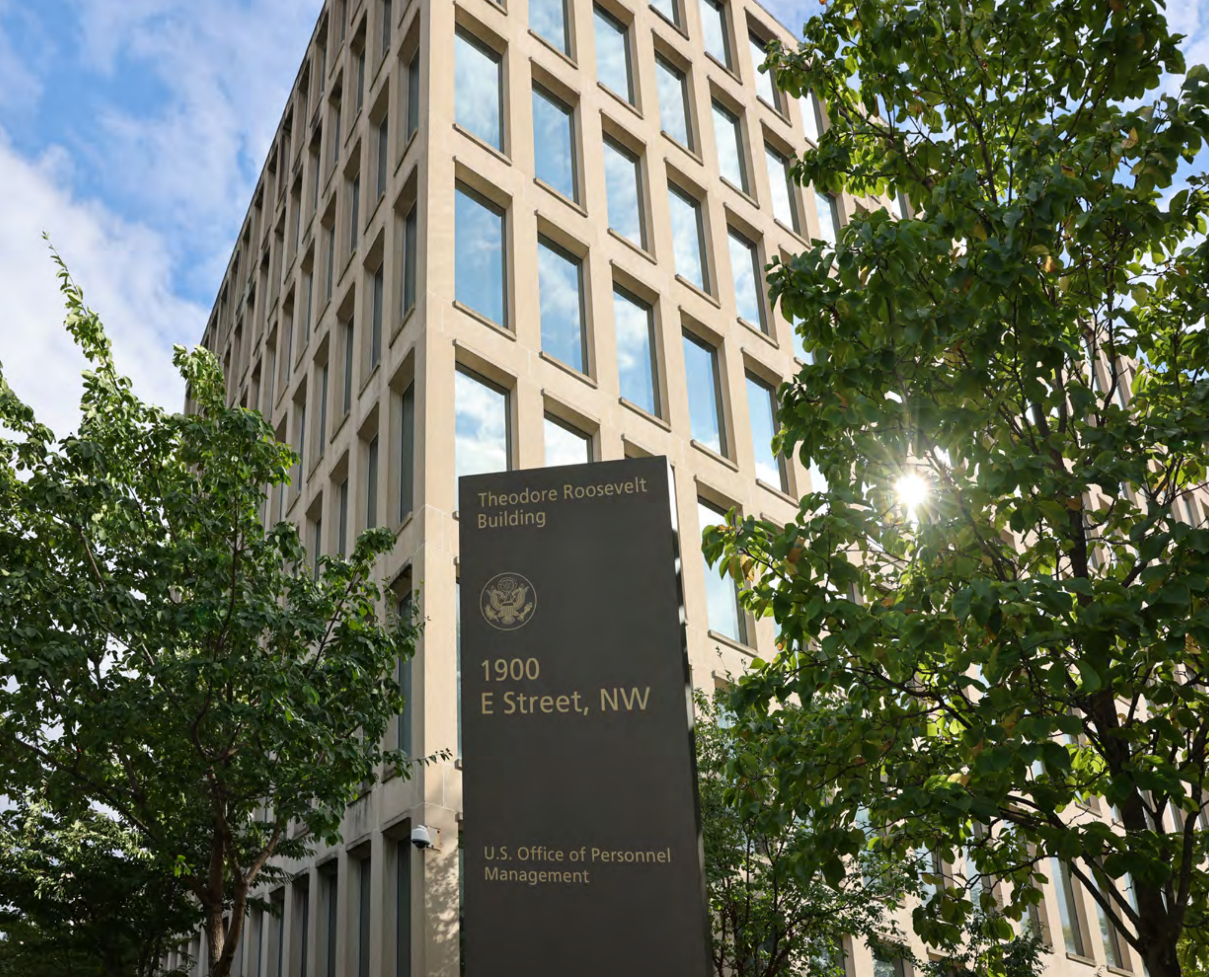

U.S. Office of Personnel Management

Agency Financial Report

Fiscal Year 2023

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

U.S. Office of Personnel Management

OPM.GOV | NOVEMBER 2023

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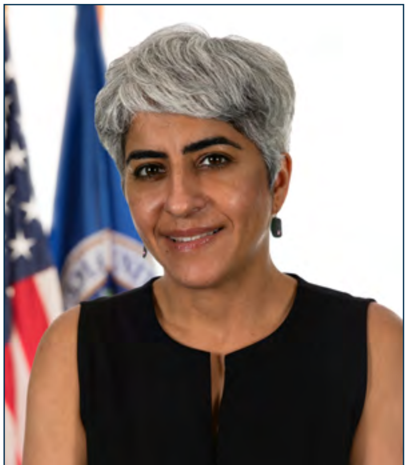


Kiran Ahuja, Director

I am pleased to present the United States Office of Personnel Management (OPM) Fiscal Year (FY) 2023 Agency Financial Report (AFR). This AFR highlights OPM's accomplishments achieved during FY 2023 and reaffirms our commitment to accountability, efficiency, and transparency with the resources we are provided by Congress. The performance and financial data presented in this AFR are complete and reliable. OPM has proudly received an unmodified "clean" audit opinion on its financial statements for 24 consecutive years.

OPM made significant strides in FY 2023 on our efforts to build and retain a talented, effective, and diverse Federal workforce. Following the momentum built from implementing President Biden's Executive Order Advancing Diversity, Equity, Inclusion, and Accessibility (DEIA), Executive Order 14035, OPM established a new Office of DEIA and a Chief Diversity Officer Executive Council, which supported the development of a government-wide DEIA Strategic Plan. OPM also released new gender identity guidance to help agencies create more inclusive environments, including workplace transition, confidentiality, and privacy.

A throughline in OPM's work has been to position the Federal government as a model employer. These efforts include:

- Establishing proposed regulations to prohibit the use of salary history in setting pay for Federal employment offers;
- Completing a Notice of Proposed Rulemaking for refreshed Pathways regulations and a Rule of Many regulation; and
- Implementing a final rule on the Fair Chance to Compete for Jobs Act.

OPM also issued a Talent Surge Playbook and employed numerous surge hiring practices like talent dashboards, cross-agency job announcements and shared certificates, and direct hire authorities, among other things, that helped Bipartisan Infrastructure Law agencies fill 100 percent of surge hiring positions. Finally, OPM implemented new recruitment efforts, including a new Intern Experience Program and online Federal Internship Portal, a Talent Pools feature allowing agencies to share certificates of eligible applicants, and a one-stop site for information about careers at intelligence agencies.

OPM has significantly improved satisfaction from FY 2022 with its mission support functions on contracting, budget formulation, and human capital management, which were reflected in a recent Mission Support Satisfaction Survey by the General Services Administration. This is partly thanks to our multi-year effort to modernize Information Technology (IT) systems. We deployed applications in Enterprise Cloud, implemented cloud-based security protections, replaced legacy technology phone systems, and deployed the first chatbot to support Retirement Services survivor benefits, with plans to expand the chatbot to include additional questions and to cover other program areas. OPM also leveraged the creation of the IT Working Capital Fund to support technology-related initiatives. I have full confidence that the invested resources and efforts made on organizational transformation will pay great dividends for OPM to remediate audit issues that contribute to the IT material weakness and better serve as the leader in Federal human capital management.

Throughout FY 2023, OPM focused on placing our customers at the center of workforce services. Utilizing human-centered design, OPM developed a three-page guide to help our customers prepare their retirement journey and new informational resource sheets for human resources offices, payroll offices, and Federal employees to empower them in submitting more complete and accurate retirement application packages. We also strengthened retirement-related resources on OPM.gov, with a more intuitive Retirement Services landing page, streamlined FAQs, and simplified information on the different types of retirement and survivor benefits. As a result of our focus on improving customer experience and hard work by OPM staff, the retirement claims backlog reached a six-year low. Challenges remain in retirement claims processing due to budget constraints, but OPM has taken and will continue to take proactive steps to further improve processing times.

Continued leadership in Federal human capital requires investing in core data capabilities to improve the quality and usability of one of the world's largest datasets of human capital information. OPM developed and released its FY 2023-2026 Data Strategy, launched the first Federal Human Capital Data Analytics Community of Practice, and rolled out a new data portal to seamlessly deliver human capital data products and services to agencies, employees, and the public. These data products include the Federal Employee Viewpoint Survey, Cyber Workforce, and Hiring Manager Satisfaction dashboards. OPM is also piloting a DEIA dashboard with agency partners which will be available to all agencies. Our goal is to allow OPM to develop standards on human capital data, conduct evaluations of key workforce policies, and deliver high-quality workforce planning data analytics products governmentwide.

Finally, OPM continued to collaborate with many partner agencies to develop and manage the Postal Service Health Benefits (PSHB) Program – a new health benefits program for approximately 1.7 million United States Postal Service employees, annuitants, and their eligible family members. We conducted market analysis, met with industry stakeholders, and developed and released a core Postal Health Benefits IT solicitation. OPM also developed the features included in the minimum viable product, including carrier account creation, carrier account authentication, and carrier application. OPM remains committed to bringing innovation, improving enrollment and payment processes, strengthening oversight and internal controls, and delivering high-quality customer experience as we set up the PSHB Program by the first enrollment season starting January 1, 2025.

I am honored to work in partnership with dedicated public servants across OPM. Our workforce is talented, creative, and engaged – they are delivering tangible results for the American people. OPM will continue to improve the performance of our programs and maximize taxpayer value. By focusing on measurable results, we will further improve our ability to meet the unique human resource challenges of the Federal government, ensuring a world-class Federal civilian workforce and serving as a model employer for the nation.

Sincerely,

Kiran A. Ahuja

Director Kiran Ahuja
Office of Personnel Management
November 13, 2023

Management's Discussion and Analysis

(Unaudited—See accompanying Independent Auditors' Report)

Director Ahuja and Deputy Director Shriver joined the Chief Human Capital Officers Council (CHCO) Council Fall Forum at the Federal Executive Institute to discuss the top priorities.

Overview

As the Federal Government's human resources agency and personnel policy manager, the United States 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 Building at 1900 E Street NW, Washington, D.C., 20415, with field offices in 16 locations across the country, and operating centers in Pennsylvania and Georgia. OPM's FY 2023 gross budget, including appropriated, mandatory administrative authorities and revolving fund activities, totaled $1,182,253,126. In FY 2023, the agency had approximately 2,681 full-time equivalent employees. OPM's discretionary budget authority, excluding the Office of the Inspector General, was $385,708,000. For more information about OPM, please refer to the agency's website, **opm.gov**.

About This Report

The FY 2023 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 execute its mission. In February 2024, OPM will publish its FY 2023 Annual Performance Report (APR). The APR will provide an overview of OPM's progress in implementing the strategies and achieving the goals outlined in the OPM FY2022 - FY2026 Strategic Plan.

The AFR provides an accurate and thorough accounting of OPM's financial performance in fulfilling its mission during FY 2023 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 **Performance (opm.gov)**.

Suggestions for improving this report should be sent to the following address:

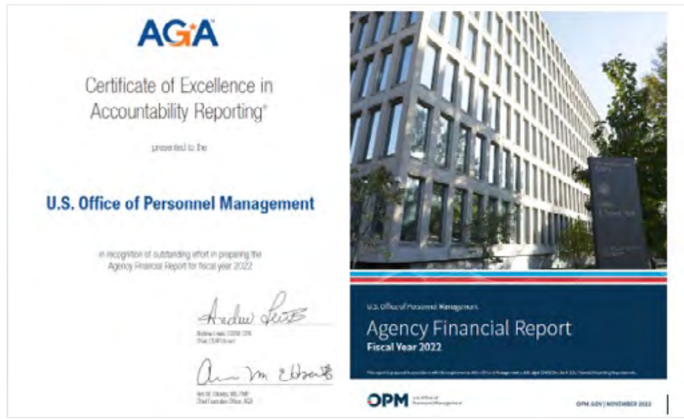
U.S. Office of Personnel Management Financial Services
1900 E Street, NW, Room 5478
Washington, D.C. 20415

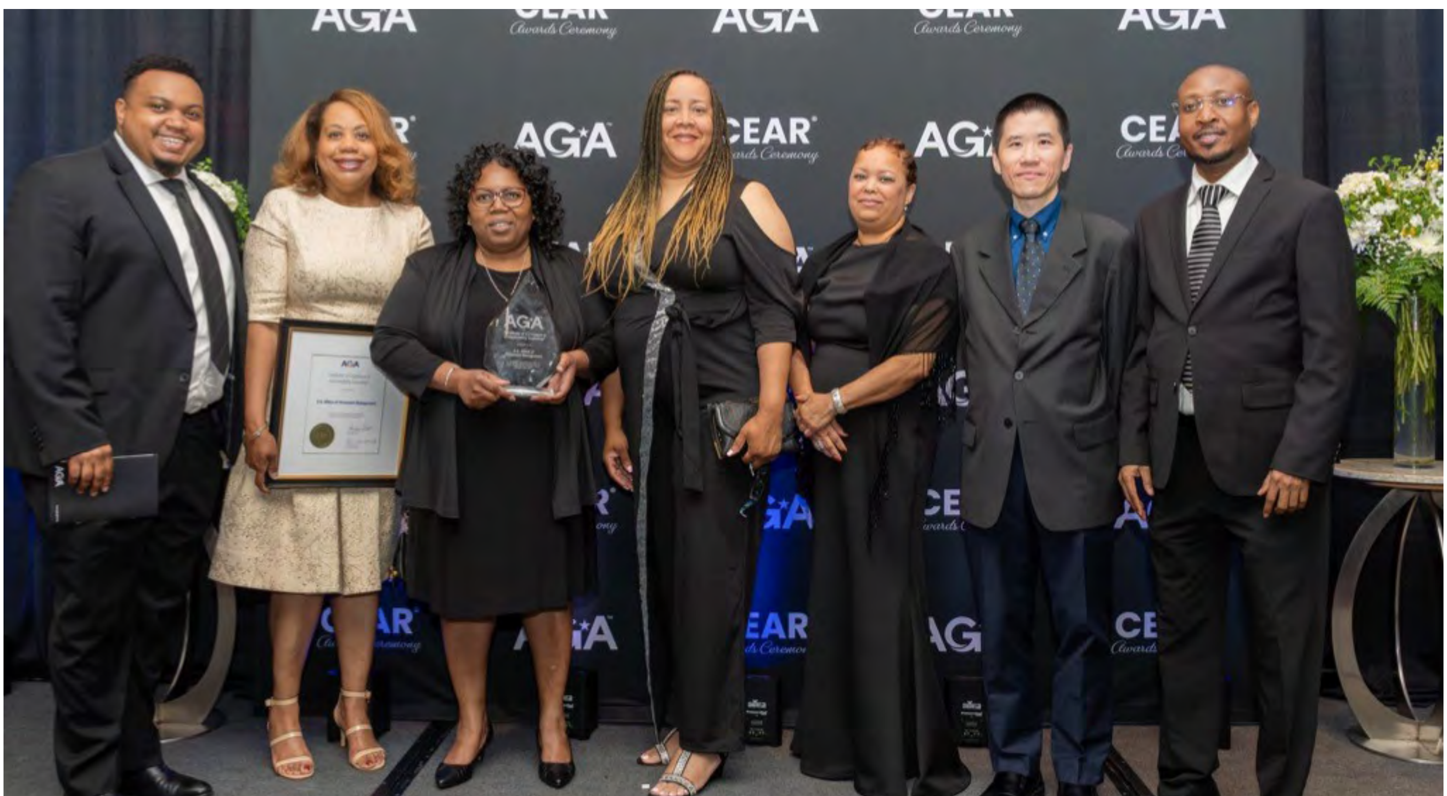
Celebrating Excellence in OPM Financial Reporting

OPM is honored to be recognized by the AGA (formerly Association of Government Accountants, a leading professional association in financial management), as OPM produced an award-winning **FY 2022 AFR** through the **AGA's Certificate of Excellence in Accountability Reporting (CEAR) Program**.

The CEAR Program was established in collaboration with the Office of Management and Budget and the CFO Chief Financial Officers Council to assist Federal agencies with performance and accountability reporting. Through the CEAR program, agencies improve accountability by streamlining reporting and enhancing reports' effectiveness to highlight the agency's accomplishments and financial status throughout the fiscal year.

The CEAR Program publicly recognized OPM, along with other winning Federal agencies, on the high-quality AFR that effectively illustrate financial and program performance with both accomplishments and challenges, as well as outstanding efforts in preparing AFR that increased accountability, transparency, innovation, collaboration, and results. OPM looks forward to continuing commitments on the financial excellence journey and offering greater value to our customers and the public.

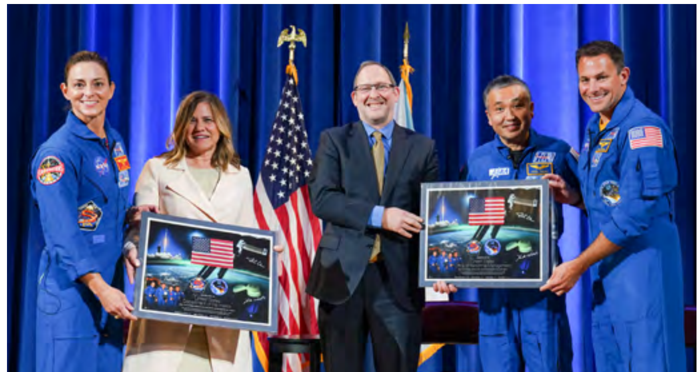




Office of the Chief Financial Officer received AGA Certificate of Excellence in Accountability Reporting award.

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 twenty corresponding objectives that advance OPM's mission 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/**.



OPM partnered with NASA and Department of Interior to launch a new Federal Intern Experience Program as interns across government will be offered inter-agency career development opportunities.

Table 1 – Strategic Goal

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.

Strategic Goal	Objective	Objective Statement
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.
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.

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 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
- Federal Executive Boards

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
- Postal Service Insurance Operations

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 each play in contributing to the achievement of OPM's mission. OPM organizations are categorized into four different types of offices: Executive, Program, Mission Support, and Other, 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) was recently established to combine the complementary functions of the Office of Privacy and Information Management (OPIM) and the Executive Secretariat, which had previously been within 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; Records Management; Forms Management/Paperwork Reduction Act; and Controlled Unclassified Information. The newly established OESPIM, led by a Senior Executive Service (SES) Executive Director, is responsible for the current OPIM functions and the Executive Secretariat functions, which include correspondence management, coordination of OPM's internal clearance processes (to include policy and program proposals), and regulatory affairs (to include serving as the agency's liaison with the Office of Management and Budget and the Federal Register).

Office of the General Counsel (OGC) provides legal advice and representation to the Director and OPM managers and leaders. OGC does this by rendering opinions, reviewing proposed policies and other work products, 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 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. CLIA is also responsible for supporting congressional efforts by 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 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 various activities and events for the Director and other OPM officials. 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). OMB's Deputy Director for Management chairs the Council 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 lifecycle 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 the 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 human capital data management governance, 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 enables 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) serves as a model for the nation. The office is committed to leading and providing Government-wide guidance on DEIA initiatives, including technical assistance to agencies, policy guidance, management of intergovernmental working groups on DEIA and the government-wide DEIA Strategic Plan. ODEIA is the leading DEIA office within the Federal Government, providing Federal agencies with concrete strategies and leading practices to recruit, hire, include, develop, retain, engage, and motivate a diverse, results-oriented, high-performing workforce. ODEIA primarily focuses its actions on externally facing customers and matters but has an advisory function to senior leaders for internal OPM DEIA efforts.

Program Offices

Employee Services (ES) is OPM's workforce policy office. 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, labor and employee relations, and the Administrative Law Judges Program, and oversight of Federal Executive Boards. ES does so by equipping Federal agencies with tools, flexibilities, and authorities, and forward-leaning strategic workforce planning products, to enable agencies to hire, develop, and retain an effective Federal workforce. On October 23, 2023, Employee Services (ES) has rebranded to the Office of Workforce Policy and Innovation (WPI). The rebrand is aimed to elevate OPM's role delivering strategic and innovative HR policies and support to OPM customers.

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 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 tax forms 1099-Rs, surveying certain annuitants to confirm their continued eligibility to receive benefits, and conducting other post-adjudication activities.

Healthcare and Insurance (HI) consolidates OPM's healthcare and insurance benefits responsibilities into a single organization. This includes contracting, contracting oversight, program development, and management functions for the Federal Employees Health Benefits (FEHB) Program, the Federal Employees' Group Life Insurance (FEGLI) Program, the Federal Long-Term Care Insurance Program (FLTCIP), the Federal Employees Dental and Vision Insurance Program (FEDVIP), and the Federal Flexible Spending Account Program (FSAFEDS). HI is comprised of Program Development and Support (PDS), Federal Employees Insurance Operations (FEIO), Postal Service Insurance Operations (PSIO), Office of the Actuaries and Operations, Resource Management divisions, and front office staff, including the Chief Pharmacy Officer and the Chief Medical Officer.

PDS is responsible for extensive operational, analytical, and systems development and support; policy and program development and implementation; data collection and analysis; and stakeholder outreach and education for programs administered by HI. PDS also manages the annual Federal Benefits Open Season.

FEIO is responsible for the contracting operations for all insurance programs, the Plan Performance Assessment function connecting health plan quality to carrier profit, the Audit Resolution & Compliance function facilitating and tracking audit responses and resolution, and the Contract Administration and Program Support responsible for leading projects important to insurance operations, including carrier brochure changes and contract amendments.

PSIO will perform similar functions for the new Postal Service Health Benefits Program. The Office of the Actuaries reviews premium proposals from FEHB and FEDVIP carriers, determines the actuarial liabilities, contributions and funding payments for the Retirement, Health and Life Insurance programs, and provides actuarial support for employee benefit programs including FEHB, FEGLI, FLTCIP, FEDVIP, Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), and FSAFEDS.

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 OIG and GAO and helps to coordinate audit activities to resolve recommendations.

Human Resource Solutions (HRS) provides human capital products and services that support Federal agencies in meeting their mission. Through both internal human capital experts and/or private sector partners, HRS helps agencies recruit and hire top talent, develop, and cultivate leaders, build Federal human resources capacity, optimize the performance management process, and sustain effective results-oriented organizations. 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 consists of four practice areas that work directly with customer agency partners via Interagency Agreement to deliver a complete range of human resources products and services, including government-to-government and private sector solutions. Some of this work is directed by statute, and other aspects are performed at the option of an agency that engages HRS in this work. This includes recruiting and examining candidates for positions for employment by Federal agencies nationwide; delivering leadership and development courses and programs, including the Leadership for a Democratic Society program; providing custom-designed technology systems (e.g., USAJOBS®, USA Staffing®, USA Hire℠, USA Performance®, and USALearning®) to support Federal agency recruitment, talent acquisition, performance management, and training priorities; developing organization and performance management strategies; and providing human capital management, organizational performance improvement, and training and development expertise delivered through best-in-class contracts.

Suitability Executive Agent Program (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 personal identity verification credentials (that is, permitting logical and physical access to agency systems and facilities) across the Government. SuitEA prescribes suitability, fitness, and credentialing standards and procedures and oversees 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, and delivers training to suitability and fitness adjudicators across Government.

Mission Support Offices

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, research and 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 (IT) policies, and cybersecurity for OPM. The OCIO 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 is responsible for modernizing the agency's IT. The OCIO promulgates the agency's IT security policies and determines and operates the agency's cybersecurity program and protections in a manner consistent with Federal law and mandates. The OCIO leads the IT governance processes and IT investment management to concur on IT strategies and budgets across the agency. The OCIO provides technical strategies and guidance, cloud technology and services, application and system development and maintenance, IT project management, agile frameworks, collaboration and communication tools, hardware, software, infrastructure including the network, and helpdesk services to support OPM's business operations. The OCIO supports and manages pre- and post-implementation reviews of IT programs and tracks IT projects at critical review points. The OCIO reviews and oversees IT acquisitions, services, and spending for consistency with the agency's architecture, strategy, and IT budget. The OCIO also partners with other agencies on Government-wide projects such as IT Modernization; to optimize enterprise services through the OMB Cloud Smart Directive, and to develop long-term plans for human resource IT 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's 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, as well as the agency's mail center operations.

Office of Small and Disadvantaged Business Utilization (OSDBU) is authorized by the Small Business Act (Act) to oversee OPM's compliance with the achievement of annual small business goals. 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 Act also directs OSDBU to manage its in-reach and outreach activities 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).

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.

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.

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.

FY 2023 Performance Highlights

This section contains performance highlights and costs for each of OPM's four strategic goals. For OPM's complete FY 2023 performance results, targets, measure definitions, plans to improve, and other details, please refer to OPM's FY 2023 Annual Performance Report, which will be published in February 2024 at **Performance (opm.gov)**.

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 2023 spending obligations (all funds): $322.3 million

Key results:

Performance Measure	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Results	FY 2026 Target
Government-wide satisfaction index score	65	69	64	62	64	68

Source: OPM Federal Employee Viewpoint Survey (FEVS)

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 2023 spending obligations (all funds): $191.5 million

Key results:

Performance Measure	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 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	85	86	81	82	84	84
Percent of OPM managers who indicate that they have sufficient resources to get their jobs done	54	Not included in the OPM FEVS	Not included in the OPM FEVS	Not included in the OPM FEVS	Data Expected December 2023	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 2023 spending obligations (all funds): $162.7 million

Key results:

Performance Measure	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Results	FY 2026 Target
Average satisfaction score for services received from Retirement Services	4.10^	4.12†	3.92	3.74	3.45	4.2
Average overall satisfaction score with USAJOBS (desktop)	-	3.80	3.87	3.88	3.93‡	4.1
Average overall satisfaction score with USAJOBS (mobile)	-	4.27	4.21	4.23	4.16‡	4.5

Sources: OPM Retirement Services customer experience survey and OPM USAJOBS customer experience survey.

^ In FY 2019, only Q3 and Q4 data was available.

† In FY 2020, only Q1, Q3, and Q4 data was available.

‡ OPM USAJOBS customer experience survey includes data from Q1, Q3, and Q4 FY 2023 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 2023 spending obligations (all funds): $37.7 million

Key results:

Performance Measure	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2022 Results	FY 2023 Results	FY 2026 Target
Percent of users throughout Government who agree that OPM offered innovative solutions while providing services or guidance	82	88	87	86*	85	91

Source: OPM human capital community survey.

*OPM revised FY 2022 results in July 2023.

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 2023 Annual Performance Report, which will be published in February 2024 at **Performance (opm.gov)**.

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, including OPM operations and the individual financial statements of the Retirement, Health Benefits, and Life Insurance Programs. An independent certified public accounting firm, Grant Thornton LLP, audits these statements. For the 24th 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 represents 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 2023, OPM held $1,162.9 billion in assets, an increase of $23.4 billion from $1,139.5 billion at the end of FY 2022. 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 $1,153.1 billion, which represents 99.2 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 Department of the Treasury (Treasury). As OPM routinely collects more money than it pays out, its investment portfolio and its total assets increase over the course of normal business.

In FY 2023, the Total Earned Retirement Program Revenue was less than the applicable cost applied to the Pension Liability by $18.9 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 approximately $35.5 billion for FY 2023.

Liabilities

At the end of FY 2023, OPM's total liabilities were $3,139.0 billion, an increase of 5.7 percent from $2,969.8 billion at the end of FY 2022. 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 Payable 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 the demographics of the future of 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 $2,676.1 billion at the end of FY 2023, an increase of $197.1 billion, or 8.0 percent from the end of FY 2022. [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 $380.1 billion at the end of FY 2023. This reflects a decrease of approximately $(31.5) billion from the end of FY 2022, or (7.7) percent. [See discussion of the Net Cost to Provide Health Benefits below].

The *Actuarial Life Insurance Liability* differs 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 $3.2 billion in FY 2023 to $64.5 billion, or 5.3 percent from the end of FY 2022. [See discussion of the Net Cost to Provide Life Insurance Benefits below].

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 post-employment 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 2023 by $1,976.1 billion, primarily due to the large actuarial liabilities and a $22.7 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. Table 6 – Net Assets Available for Benefits – shows that OPM's net assets available to pay benefits have increased by $23.0 billion in FY 2023 to $1,144.7 billion.

Table 6 – Net Assets Available for Benefits

The amounts in the table are in billions.

Net Assets Available for Benefits	FY 2023	FY 2022	Change
Total Assets	$1,162.9	$1,139.5	$23.4
Less "Non-Actuarial" Liabilities	(18.2)	(17.8)	(0.4)
Net Assets Available to Pay Benefits	$1,144.7	$1,121.7	$23.0

Statement of Net Cost

The Statement of Net Cost (SNC) in the Federal Government differs 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 2023 Net Cost of Operations was a loss of $210.5 billion, as compared with a loss of $291.4 billion in FY 2022. 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 $62.9 billion in FY 2023, a decrease of $(70.0) billion from FY 2022. As reported on the SNC, there was a current year loss of $61.3 billion for CSRS due to changes in actuarial assumptions, primarily an increase to the assumed long-term inflation rate. The actuarial gain due to experience is largely due to greater short-term rates of annuitant mortality than were assumed in the prior year valuation.

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 2023 by $2,617 million from FY 2022 and OPM's earnings on CSRS investments increased by approximately $14,491 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 2023	FY 2022	Change
Gross Cost	$26.0	$94.6	$(68.6)
(Gain)/Loss on Pension, ORB or OPEB Assumption Changes	61.3	45.5	15.8
Associated Revenues	(24.4)	(7.2)	(17.2)
Net Cost of Operations	$62.9	$132.9	$(70.0)

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 $27.4 billion in FY 2023, as compared to the $27.2 billion in FY 2022. The increase in benefits paid is due to higher interest expense.

Net Cost to Provide FERS Benefits

As shown in Table 8, the Net Cost to Provide FERS Benefits in FY 2023, increased by $20.4 billion from FY 2022 resulting in a Net Cost of Operations of $157.8 billion for FY 2023. 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 2023, OPM incurred a Pension Expense for FERS of $124.2 billion, as compared with $116.7 billion in FY 2022. The primary reason for the increase in FERS pension expense was due to an increase in retirees resulting in additional annuity payments made in FY 2023. The FY 2023 Pension Expense also reflected an experience loss primarily due to actual COLA rates being greater than assumed rates. In addition, the FERS program incurred an actuarial loss from assumptions of $93.4 billion in FY 2023 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.

Contributions by and for FERS participants increased by $2,800 million, or 5.4 percent from the prior FY 2022, 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 2023	FY 2022	Change
Gross Cost	$125.7	$117.8	$7.9
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	93.4	90.7	$2.7
Less: Associated Revenues	(61.2)	(71.0)	$9.8
Net Cost of Operations	$157.9	$137.5	$20.4

In FY 2023 OPM paid FERS benefits of $30.8 billion, compared with $26.6 billion in FY 2022. 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 2023 decreased by $(31.1) billion from that in FY 2022, 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 5), 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 2023	FY 2022	Change
Gross Cost	$76.9	$50.6	$26.3
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	(44.0)	10.6	(54.6)
Less: Associated Revenues	(45.5)	(42.7)	(2.8)
Net Cost of Operations	$(12.6)	$18.5	$(31.1)

Current Benefits and Premiums increased $20.3 billion in FY 2023 mostly due to significant assumption gains related to Non-Postal Employer Group Waiver Plans. However, the contributions (for and by participants) increased by $2,291 million from FY 2022 to FY 2023.

Due to accounting standards, current year costs incurred that relate to claims, premiums and administrative expenses adjust the ending PRHB Actuarial Liability. The actual costs to provide health benefits are presented in Table 10 (see Note 5).

Table 10 – Cost to Provide Health Benefits

The amounts in the table are in billions.

Cost to Provide Health Benefits	FY 2022	FY 2023
Claims	$13.7	$13.2
Premium Expense	1.9	1.9
Administrative Expense and Other	1.5	1.5
Total	$17.1	$16.6

Net Cost to Provide Life Insurance Benefits

As seen in Table 11, the Net Cost (Net Income) to Provide Life Insurance Benefits decreased from a Net Cost of $2.1 billion in FY 2022 to Net Cost of $1.9 billion in FY 2023. Gross Cost increased $0.5 billion for FY 2023 compared to FY 2022, with a current year actuarial loss of $1.2 billion. The Associated Revenues were $5.1 billion in FY 2023 and $4.5 billion in FY 2022 for an increase of $0.6 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 2023 and FY 2022. 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 2023 as compared to FY 2022 due to the General Salary increase of 4.6% for FY 2023.

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 2023	FY 2022	Change
Gross Cost	$5.8	$5.3	$0.5
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	1.2	1.3	(0.1)
Less: Associated Revenues	(5.1)	(4.5)	(0.6)
Net Cost (Income) of Operations	$1.9	$2.1	$(0.2)

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 yearly. 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, if the Cost of Living Adjustment factor (COLA) increase is 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.

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 $317.1 billion in budgetary resources was available to OPM for FY 2023. OPM's budgetary resources in FY 2023 included the following:

- Balance carried over from FY 2022 of $72.9 billion plus adjustments of $0.1 billion
- Appropriations Received of $64.6 billion
- Trust Fund receipts of $131.0 billion, less $21.7 billion not available equals $109.3 billion (34.5 percent)
- Spending authority from offsetting collections (SAOC) of $70.2 billion (22.1 percent)

The $21.7 billion in Trust Fund receipts that is not available pursuant to public law is made up of $25.3 billion from the Retirement program and $(3.5) billion from the Postal Service Retiree Health Benefits fund.

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 2023	FY 2022
Trust Fund Receipts	34.5%	33.5%
Balance Brought Forward from Prior Year	23.0%	24.4%
Spending Authority from Offsetting Collections	22.1%	21.5%
Appropriations	20.4%	20.0%

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

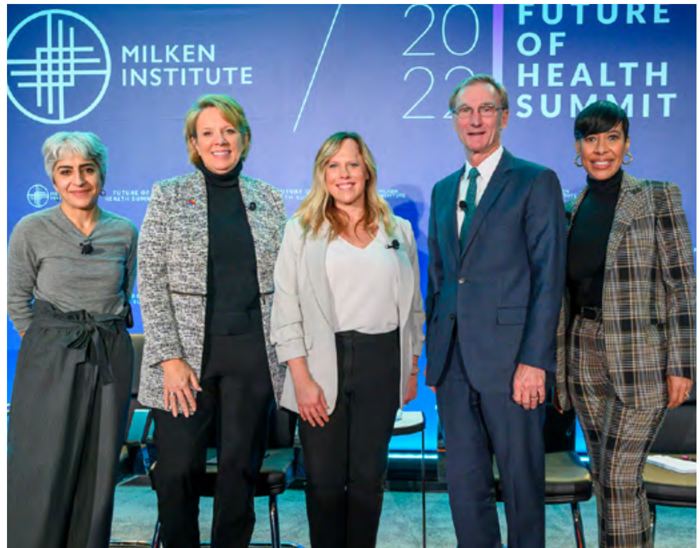
Obligation	FY 2023	FY 2022
Retirement Benefits	63.5%	62.6%
Health Benefits	34.3%	35.0%
Life Insurance Benefits	1.6%	1.9%
Other	0.6%	0.6%

From the $317.1 billion in budgetary resources OPM had available during FY 2023, it incurred obligations of $243.7 billion. This includes $64.4 billion of obligations that were incurred moving warranted appropriations received from OPM general funds into expenditures trust funds accounts for benefits to be paid for participants in the Retirement, Health Benefits and Life Insurance Programs. The total budgetary resources also include $32.1 billion in the PSRHB Fund of the Health Benefits Program, and $1,028 billion in the Retirement Program that is precluded from obligation (Note 10). These budgetary resources are invested and not available for obligation pursuant to public law.

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



Director Ahuja spoke at the Milken Institute's Health Summit and discussed how the Federal government is supporting employee mental health and well-being.

Management Assurances

Office of Personnel Management

FY 2023 Statement of Assurance

Office of Personnel Management 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, 2023, except for the material weakness 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. Based on the results of OPM's FFMIA compliance assessment, the Agency can provide reasonable assurance that it substantially complies with FFMIA.

Kiran A. Ahuja

Kiran A. Ahuja
Director
11/13/2023

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 OMB Circular A-123 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 (RMC) oversees the Agency's internal control program. The RMC 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 RMC, office heads conducted self-assessments of the internal controls under their purview. They provided an assurance statement detailing whether their internal control systems met the requirements of FMFIA. This included an assessment of entity-level controls. 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.

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 A-123. As part of our assessment of internal control over reporting objectives, RMIC tested the operating effectiveness of key controls contained in OPM's DQP.

Enterprise Risk Management

To assist the OPM senior leaders in meeting the requirements of OMB Circulars A-123 and A-11, OPM's RMC focuses on risk management at an enterprise-level, at an enterprise-level, an organization-level, and a program-level. The RMC is responsible for implementing, directing, and overseeing the implementation of OMB Circular A-123 and all the provisions of a robust process of risk management and internal control.

The RMC develops, implements, and leads the strategies, policies, procedures, and systems established by management to identify, assess, measure, and mitigate the major risks facing the agency.

The RMC provides input and oversight for all risk management-related activities concerning the overall mission and strategic goals and objectives, enhancing understanding of the overall risk in accomplishing the agency's strategic goals and objectives, and reviewing the agency's risk assessment methodologies to obtain reasonable assurance of the completeness and accuracy of mitigation strategies and their effectiveness in reducing the risk. The RMC is also responsible for ensuring the establishment and maintenance of an effective system of internal control.

Exhibit A – Summary of Material Weakness

Information System Control Environment

In FY 2023, 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 2023 included repetitive conditions consistent with prior years, as well as new deficiencies. OPM OCIO has made significant progress to remediate the remaining issues that contribute to the material weakness. OPM OCIO closed 13 IT Notice of Findings and Recommendations during FY 2023 financial audit, and an additional 11 IT-related recommendations issued separately by the OIG for the financial statement audit. Due to the continued existence of these deficiencies, they are reported collectively as a material weakness in OPM's internal control over operations.

OPM is committed to assessing each condition contributing to the material weakness and will develop an appropriately risk-based, cost-effective plan to address each condition within OCIO.

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 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 2023. OPM complies with Federal Government financial management system requirements, 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 Agency reported a non-conformance with the Federal financial management system requirements in FY 2022 due to the material weakness reported in the information system control environment. In May 2021, OPM migrated its core accounting system, Consolidated Business Information System (CBIS), to the Department of Transportation, Federal Aviation Administration's (FAA) Enterprise Service Center (ESC) Delphi platform. During FY 2023, OPM also migrated its Trust Fund accounting system, Federal Financial System (FFS), to the Federal shared service provider Administrative Resource Center (ARC) Integrated Oracle Solution (AIOS). The migration of OPM's core accounting systems from legacy systems to third-party service provider platforms allows OPM to leverage the latest technology and adhere to Federal financial management system requirements. Based on OPM's FY 2023 FFMIA compliance assessment, the Agency has reported substantial compliance with FFMIA and closed the material weakness. 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, OPM's 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. CFO 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, provides 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 with the agency's 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:

- ARC Integrated Oracle Solution (AIOS), the financial system platform provided by the Department of the Treasury, Bureau of the Fiscal Service (BFS), Administrative Resource Center (ARC), is used for trust funds accounting and financial management activities.
- DELPHI, the financial system platform provided by the Department of Transportation (DOT), Federal Aviation Administration, Enterprise Service Center (ESC), is used for financial transaction processing as well as reporting and analysis to support management of the agency's Salaries & Expense and Revolving Funds.

In FY 2023, OPM, through an effective partnership with ESC, managed implementation efforts for the following system enhancements:

- Deployed an integrated solution with the Department of the Treasury, BFS's G-Invoicing application to DELPHI users to meet the governmentwide mandate deadline of October 1, 2022. This solution allows OPM to better manage interagency agreements (IAAs) with a common data standard and the expectation that intragovernmental financial differences will significantly decrease. Continue to update G-Invoicing on process improvements and functionalities to better meet business goals in FY 2024.
- Implemented Splash Business Intelligence (BI), which provides users with a new reporting tool with modernized ad hoc functionality and data visualization capabilities for faster and deeper insights into financial activity.
- Completed development and testing for automated AP approval invoices workflow to eliminate manual approval activities, reduce transaction posting time, risks, and interest penalties. This automation is targeted to be in production in FY 2024.
- Configured and tested 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. This module is targeted to be implemented in FY 2024.

OPM leverages AIOS for accounting and financial management activities related to the trust funds for the federal earned benefit programs. In FY 2023, OPM migrated trust funds accounting functionality including core financial management and investment management capabilities from the legacy mainframe Federal Financial System (FFS) to AIOS, the shared service provider platform provided by the Department of the Treasury, ARC.

With this transition, OPM financial accounting platform is now operated under a shared services model, leveraging a modernized financial management system and streamlined business processes. As a customer of Treasury, ARC, OPMs financial system for Trust Funds is Oracle E-Business Suite is a FFMIA system and is compliant, 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.

In FY 2024, OPM aims to enhance insurance benefits financial management processes, improve trust funds reporting capabilities, and prepare financial systems and processes for the Postal Reform Act implementation, which mandates OPM to establish and manage a separate health benefit program for postal employees, retirees, and eligible family members. Requirements for these efforts have been documented, and OPM's partnership with Treasury continues in FY 2024 with design, configurations, development, testing, and training activities for these added functionalities.

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, 2022 through September 30, 2023 in 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 2023	Number of Reports	Questioned Costs ($ in Millions)
Reports with no management decision on October 1, 2022	7	$ 17.3
New reports requiring management decisions	12[1]	54.7
Management decisions made during the year	8	21.5
Net disallowed costs	–	20.7[2]
Net allowed costs	–	0.8[3]
Reports with no management decision on September 30, 2023	11	50.4

Source: Audit Reports Issued with Questioned Costs for reporting periods October 1, 2022, through March 31, 2023, and April 1, 2023, through September 30, 2023.

Purpose: To provide data to the OCFO to be included in the fiscal year 2023 Management Discussion and Analysis for OPM's Performance and Accountability Report.

1 The number of new reports requiring a management decision represents reports with monetary recommendations. This year, 34 reports were issued and 12 of them had monetary recommendations, and 22 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 2023.

In FY 2023, OPM's cybersecurity maturity level is measured as "3 - Consistently Implemented". Before the kick-off of the FY 2023 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. In FY 2023, OPM took corrective actions that resulted in the closure of 74 FISMA recommendations (i.e., 25 unique, 49 non-unique). OPM is committed to working with the OIG to continually improve IT operations and services.

OPM is pleased to report that we have improved our Council of the Inspectors General on Integrity and Efficiency (CIGIE) maturity model score overall, with specific improvements in the Identify function area. Specially, OPM improved our metric scores in the Identify domain including hardware and software inventories, enterprise architecture, risk governance and supply chain risk management strategy, policies and procedures. These improvements accounted for a 42% increase from Fiscal Year 2022. The agency also made marked improvements in Detect and Recover function areas, improving our scores by 25% and 33% respectively. The increase in score reflects the work dedicated to Information System Continuous Monitoring (ISCM) and Contingency Planning domain metrics to increased ongoing system authorizations, and to contingency planning. Through our metric improvements, the number of Level 1 ad hoc maturity level ratings reduced from 16 to 3, a reduction of 81%.

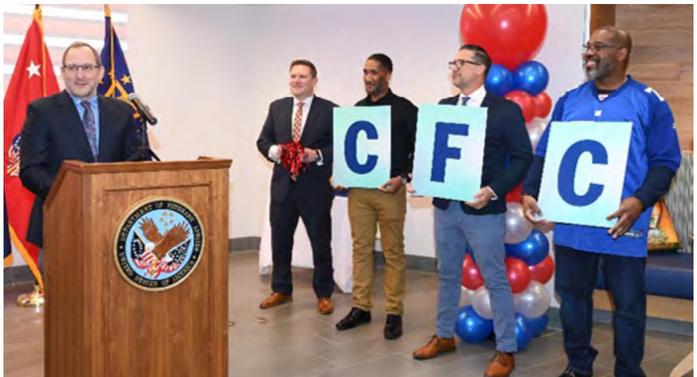
In FY 2023, OPM closed 74 FISMA recommendations. Additionally, the agency successfully closed 26 cybersecurity recommendations (i.e., 7 GAO, 19 OIG) from other audit engagements. OPM is committed to continuing the trend of collaboration to reduce the number of open IT audit recommendations.

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 improving its procedures and controls, since transitioning to the new Trust Funds financial accounting platform to support the reporting objectives of the Digital Accountability and Transparency Act (DATA Act) of 2014, P.L. No. 113-101, as 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.

By the authority of 31 U.S.C. 3512(b) and 3513, the Secretary of the Treasury mandated all federal program agencies (FPAs) must use G-Invoicing, the long-term solution for FPAs to manage their intragovernmental (IGT) Buy/Sell transactions, by October 1, 2022, for new orders. GInvoicing is intended to help agencies and their trading partners negotiate and accept General Terms and Conditions (GT&C) agreements, broker orders, exchange performance information, and validate settlement requests through Intra-Governmental Payment and Collection (IPAC). OPM implemented G-Invoicing on October 1, 2022, in accordance with Treasury's mandate. However, OPM still has a few IGT transactions that use 'legacy' processes (using PDF 7600As & Bs) in order to accommodate trading partners that have not yet implemented G-Invoicing for themselves. Nevertheless, as a requesting agency, OPM completed 120 GT&Cs with an estimated total value of $182.6 million and 109 open orders totaling $103.8 million. As a servicing agency, OPM completed 610 GT&Cs with an estimated total value of $529.9 million and 525 open orders totaling $202.8 million. Finally, OPM and its shared service provider, the Federal Aviation Administration (FAA) Enterprise Services Center (ESC), continue to work with Treasury and Oracle to improve the G-Invoicing system for both OPM and its trading partners as G-Invoicing usage is expected to increase in coming years.



Deputy Director Shriver spoke at the Combined Federal Campaign closing ceremony.

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. In meeting this goal, OPM faces a governmentwide challenge in strategic human capital management. OPM continues efforts to address skill gaps within the Federal workforce adequately.

In addition, OPM is responsible for administering Governmentwide benefits for Federal employees and their eligible dependents, annuitants, and survivors. A continued OPM challenge is protecting the financial integrity and providing effective stewardship of these benefit programs.

Lastly, OPM continues to work on improving and modernizing the technology environment and organizational structure. OPM has faced challenges with dedicated funding for IT modernization to ensure that goals are met.

In looking forward OPM continues to work on addressing these top management challenges and more information on these can be found in the Other Information – Section 3.

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 24 consecutive years. OPM will continue to strengthen its 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 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 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 2023 Financial Information

Message from the Chief Financial Officer

Erica D. Roach,
Chief Financial Officer

I am honored to present the Fiscal Year (FY) 2023 Agency Financial Report (AFR) for the United States Office of Personnel Management (OPM). This AFR summarizes OPM's financial status and presents the related financial statement audit report. In addition, this AFR showcases OPM's significant accomplishments made throughout FY 2023, as we effectively use taxpayers' dollars to finance and fulfill our mission - leading Federal agencies in workforce policies, programs, and benefits in service to the American people.

Based on the commitment to fiscal responsibility and strategic financial management, OPM continued to institutionalize value-creating finance practices and promote transparency and data-driven decisions, leading to better organizational performance, which allowed OPM to make the following key achievements during FY 2023:

- **Achieved Excellence in Financial Reporting:** FY 2023 marks the 24th consecutive year OPM achieved an unmodified "clean" audit opinion on the financial statements. OPM also won its first **AGA Certificate of Excellence in Accountability Reporting award** this year. This award, made to Federal agencies following a thorough and independent review, reflects our efforts in financial reporting that increase accountability, transparency, and collaboration. As one of the few Federal agencies to have achieved this outcome, I am extremely proud of the results.
- **Continued Modernization of Earned Benefit Trust Funds Processes and Accounting Systems:** In October 2022, OPM successfully concluded the initial phase of the Trust Funds Modernization (TFM) program. This marked a significant shift from antiquated processes and outdated legacy systems to a modern, shared services platform, enhancing internal controls and processes. This transformation enables OPM to (1) administer Earned Benefits Trust Funds using a stable, secure, and sustainable operational model, (2) expedite the provision of high-quality data to OPM Program offices and external stakeholders, and (3) allocate resources more efficiently for vital activities such as investment management, financial analysis, and quality reviews. The completion of this initiative has empowered OPM to streamline the management of the $1.1 trillion Earned Benefits Trust Funds, delivering improved services to millions of current federal employees, annuitants, and their families for retirement, health, and life benefits. Additionally, this modernization enhances OPM's role as responsible stewards of taxpayer dollars.
- **Continued Efforts and Collaboration in Reducing Improper Payments:** Not only did OPM achieve full compliance with the Payment Integrity Information Act based on the Office of Inspector General audit report published this year, but OPM also kept the improper payment rate of the Federal Retirement Services program at a low level between 0.35% and 0.38% for the past decade. During the year, OPM collaborated with other Joint Financial Management Improvement Program agencies (Office of Management Budget, Government Accountability Office, and Department of the Treasury) to develop a government-wide three-year payment integrity plan and hold panel discussions at various financial management conferences. All efforts demonstrated that OPM continued to be part of the government-wide solutions to improper payment reduction efforts.

I want to thank our financial management professionals at the Office of the Chief Financial Officer and our internal and external partners for their tireless efforts and collaboration throughout the fiscal year. OPM is committed to building on our success in FY 2023, delivering superior financial stewardship and customer service through a sustained focus on strategic financial management and delivering results.

Sincerely,

Erica D. Roach

Erica D. Roach
Chief Financial Officer
United States Office of Personnel Management
November 13, 2023

Transmittal from OPM's Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

November 13, 2023

Report No. 2023-IAG-017

MEMORANDUM FOR THE HONORABLE KIRAN A. AHUJA
Director

FROM: THE HONORABLE KRISTA A. BOYD
Inspector General

Krista A. Boyd Digitally signed by Krista A. Boyd Date: 2023.11.13 14:41:05 -05'00'

SUBJECT: Audit of the U.S. Office of Personnel Management's Fiscal Year 2023 Consolidated Financial Statements

This memorandum transmits Grant Thornton LLP's (Grant Thornton) reports on its financial statement audit of the U.S. Office of Personnel Management's (OPM) consolidated financial statements. These comprise the consolidated balance sheets as of September 30, 2023 and 2022, 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. Grant Thornton's reports also cover OPM's individual balance sheets of the Retirement, Health Benefits, and Life Insurance Programs as of September 30, 2023, and 2022, 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. Lastly, we discuss the results of the Office of the Inspector General's (OIG) oversight of the audit and review of those reports.

Audit Reports on the Financial Statements, Internal Control over Financial Reporting, and Compliance with Laws, Regulations, Contracts, and Other Matters

The Chief Financial Officers (CFO) Act of 1990 (Public Law 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, 2023 and 2022. The

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contract requires that the audit be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*.

Grant Thornton's audit report includes opinions on the consolidated financial statements and the individual financial statements for the three benefit programs. In addition, Grant Thornton separately reported on internal control over financial reporting and on compliance with laws, regulations, contracts, and other matters. The results of Grant Thornton's audit included the following:

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

- Grant Thornton's report identified one material weakness in OPM's internal control:

    - 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 applicable Federal accounting standards and the application of the *United States 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 2023 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 GAGAS, OMB Bulletin 24-01, 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 reports; 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 or conclusions on compliance with laws and regulations. Grant Thornton is responsible for the attached auditor's reports dated November 13, 2023, and the conclusions expressed in the reports. 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.

Attachments

cc: The Honorable Robert H. Shriver
Deputy Director

Alethea Predeoux
Chief of Staff

Ryan S. Uyehara
Deputy Chief of Staff

Webb Lyons
General Counsel

Katie A. Malague
Chief Management Officer

Erica D. Roach
Chief Financial Officer

Guy V. Cavallo
Chief Information Officer

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

Michelle D. Dawson
Deputy Director, Internal Oversight and Compliance

Anica Wooten
Lead Auditor, Risk Management and Internal Control

Independent Auditor's Reports

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin 24-01 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 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 24-01 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 24-01, 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.

Required supplementary information
Accounting principles generally accepted in the United States of America require that the information in Management's Discussion and Analysis and the combining schedule of budgetary resources be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a required part of the basic 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 basic 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 basic consolidated financial statements and individual financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements and individual 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 and the individual financial statements. The Revolving Fund Programs, Salaries and Expenses and Eliminations columns in the consolidating financial statements as of and for the years ended September 30, 2023 and 2022 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, 2023 and 2022 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements or the individual 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 and individual financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and individual 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 and individual financial statements or to the consolidated financial statements or individual 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 and individual financial statements as a whole.

Other information
Management is responsible for the other information included in the annual report. The other information comprises the Message from the Director on pages 3 and 4 and the other information on pages 30 through 35, and 98 through 147 but does not

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include the consolidated financial statements and individual financial statements and our auditor’s report thereon. Our opinions on the consolidated financial statements and individual financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements and individual 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 and individual 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 13, 2023, 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 13, 2023

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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. 24-01, *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, 2023 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 2023, 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 13, 2023, 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 Auditor's responsibilities for internal control over financial reporting 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 2023, deficiencies noted in FY 2022 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 are 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 2023 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 users with significant information systems responsibility.
- OPM did not perform a comprehensive and timely review of a Service Organization Controls (SOC) report.

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 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. The lack of review of the SOC report increases the risk that (a) modifications or amendments to responsibilities and controls may go undetected, and (b) required updates are not documented and implemented. This risk may impact confidentiality, integrity, or availability of financial data within the application. 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.
- OPM did not implement a required Complimentary Customer Agency Control (CCAC) regarding separated employees.

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) policies 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.
- OPM could not provide listings of users to the various environments to ensure that proper segregation of duties exist within the Configuration Management processes. (i.e. a developer cannot develop and migrate changes)
- 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.

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.

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.
- Implement a mechanism in order to associate hardware and software assets with application boundaries.
- 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.
- Perform a review of the SOC 2 Report to ensure physical access and security controls are implemented appropriately.

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.

- Create a process to notify the shared service provider timely of separated employees.

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.

- Develop a process to be able to provide user listings for each environment and ensure that proper segregation of duties within these environments is enforced.

- 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. 24-01.

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 and individual 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. 24-01.

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 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

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OPM does not concur with the auditor's reported FFMIA Section 803(a) non-compliance with financial systems. OPM reported non-compliance with the FFMIA system requirements in FY 2022 due to the material weakness reported in the information system control environment. On 10/1/22, OPM migrated its mainframe-based core financial system for Trust Funds accounting, Federal Financial System (FFS), to the AIOS (ARC Integrated Oracle Solution), part of the Department of the Treasury's shared services platform. The migration of OPM's core accounting systems from legacy systems to third-party services, as well as its existing full shared services with the Department of Transportation, Federal Aviation Administration's Enterprise Service Center (ESC) transactional accounting support and Delphi platform which was migrated in 2020, allows OPM to report compliance with FFMIA and close the material weakness from the prior year.

Grant Thornton Response

Grant Thornton reviewed the additional context provided in management's response. Management's response does not affect the assessments of the material weakness and the substantial noncompliance with the Federal financial management systems requirements.

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 individual 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 13, 2023

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATED BALANCE SHEETS

As of September 30, 2023 and September 30, 2022

(In Millions)

	FY 2023	FY 2022
ASSETS		
Intragovernmental:		
Fund Balance with Treasury [Note 2]	$3,744	$2,526
Investments [Note 3]	1,153,149	1,131,652
Accounts Receivable [Note 4]	2,726	2,505
Advance to Others and Prepayments	6	5
Other Assets [Note 1L]	1	-
Total Intragovernmental	1,159,626	1,136,688
With the Public:		
Accounts Receivable, Net [Note 4]	2,060	1,936
General Property, Plant, and Equipment, Net	-	2
Other Assets [Note 1L]	1,214	919
Total With the Public	3,274	2,857
TOTAL ASSETS	$1,162,900	$1,139,545
LIABILITIES		
Intragovernmental:		
Accounts Payable	$6	$269
Advances from Others and Deferred Revenues	148	128
Other Liabilities [Notes 6 & 7]	272	7
Total Intragovernmental	426	404
With the Public:		
Accounts Payable	25	23
Advances from Others and Deferred Revenue	(3)	41
Federal Employee Benefits Payable [Note 5]	3,136,649	2,967,642
Other Liabilities [Notes 6 & 7]	1,864	1,642
Total With the Public	3,138,535	2,969,348
TOTAL LIABILITIES	$3,138,961	$2,969,752
Commitments and Contingencies [Note 7]		
NET POSITION		
Unexpended Appropriations-Funds from Other than Dedicated Collections	383	371
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(1,976,444)	(1,830,578)
TOTAL NET POSITION	(1,976,061)	(1,830,207)
TOTAL LIABILITIES AND NET POSITION	$1,162,900	$1,139,545

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, 2023 and 2022

(In Millions)

		FY 2023	FY 2022
	Gross Costs	$25,950	$94,592
	Less: Earned Revenue	(24,389)	(7,270)
Provide CSRS Benefits	Net Cost	1,561	87,322
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5]	61,337	45,524
	Net Cost of Operations [Note 9]	$62,898	$132,846
	Gross Costs	$125,673	$117,791
	Less: Earned Revenue	(61,211)	(70,976)
Provide FERS Benefits	Net Cost	64,462	46,815
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5]	93,381	90,733
	Net Cost of Operations [Note 9]	$157,843	$137,548
	Gross Costs	$76,858	$50,579
	Less: Earned Revenue	(45,441)	(42,759)
Provide Health Benefits	Net Cost	31,417	7,820
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5]	(44,046)	10,656
	Net Cost of Operations [Note 9]	($12,629)	$18,476
	Gross Costs	$5,834	$5,353
	Less: Earned Revenue	(5,111)	(4,580)
Provide Life Insurance Benefits	Net Cost	723	773
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5]	1,179	1,330
	Net Cost of Operations [Note 9]	$1,902	$2,103
	Gross Costs	$1,113	$746
Provide Human Resource Services	Less: Earned Revenue	(629)	(334)
	Net Cost of Operations [Note 9]	$484	$412
	Gross Costs	$235,428	$269,061
	Less: Earned Revenue	(136,781)	(125,919)
Total Net Cost of Operations	Net Cost	98,647	143,142
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5]	111,851	148,243
	Net Cost of Operations [Note 9]	$210,498	$291,385

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, 2023 and 2022
(In Millions)

	FY 2023	FY 2022
UNEXPENDED APPROPRIATIONS		
Beginning Balance	$371	$390
Financing Sources:		
Appropriations Received	65,252	60,994
Other Adjustments	(630)	(494)
Appropriations Used	(64,610)	(60,519)
Total Budgetary Financing Sources	12	(19)
Total Unexpended Appropriations - Ending Balance	$383	$371
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	($1,830,578)	($1,599,784)
Financing Sources:		
Appropriations Used	64,610	60,519
Transfer-In/Out Without Reimbursement	(9)	48
Other Financing Sources	31	24
Total Financing Sources	64,632	60,591
Net Cost of Operations	210,498	291,385
Net Change	(145,866)	(230,794)
Cumulative Results of Operations - Ending Balance	($1,976,444)	($1,830,578)
NET POSITION	($1,976,061)	($1,830,207)

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, 2023 and 2022

(In Millions)

	FY 2023	FY 2022
BUDGETARY RESOURCES		
Unobligated Balance, from Prior Year Budget Authority, Net	$73,083	$74,624
Appropriations	173,893	161,864
Spending Authority from Offsetting Collections	70,166	66,013
Total Budgetary Resources	$317,142	$302,501
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments [Note 11]	$243,696	$229,564
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	3,890	587
Exempt from Apportionment, Unexpired Accounts	-	-
Unapportioned, Unexpired Accounts	69,275	72,275
Expired, Unobligated Balance, End of Year	281	75
Total Unobligated Balance, End of Year	73,446	72,937
Total Budgetary Resources	$317,142	$302,501
OUTLAYS, NET		
Outlays, Net	$173,239	$160,902
Less: Distributed Offsetting Receipts	(50,730)	(47,829)
Agency Outlays, Net	$122,509	$113,073

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

Notes to Financial Statements

Notes to OPM 2023 Agency Financial Report

September 30, 2023 and 2022 [$ in millions]

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 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 Accountability and Enhancement Act (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 of 2022 (PSRA, P. 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 77 FEHB carriers. Most 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 Health Maintenance Organizations (HMO) contracts are community-rated, so the amount of profit and administrative expenses charged to the 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 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 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 Postal Service Retiree Health Benefits Fund (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 Federal Employees' Group Life Insurance (FEGLI) 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 various 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 OPM uses 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 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 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.

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

[1] FASAB is the official body for setting accounting standards of the U.S. Government.

[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."

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 $146 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 General Fund of the U.S. Government 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 U.S. Department of the Treasury (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 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 2023 and FY 2022, 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 56.5 percent and 50.4 percent of basic pay for FY 2023 and FY 2022, respectively. For FERS, the service cost for most or "regular" FERS participants is 24.7 percent and 22.4 percent of basic pay for FY 2023 and FY 2022, respectively, and for "regular" FERS-FRAE participants is 25.5 percent and 23.2 percent of basic pay for FY 2023 and FY 2022, 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 2023 and FY 2022. The combined 14.0 percent of pay does not cover the service cost of a CSRS benefit. To lessen the shortfall, 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 2023 and FY 2022, this amount was $35.5 billion and $34.3 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 2023 and FY 2022, this amount was $14.4 billion and $12.0 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 2023 and FY 2022. 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 in later years. A small portion, 0.02 percent of the pay of participating employees in FY 2023 and FY 2022, 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:

Imputed Financing (and related Imputed Costs)

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 costs in the Statement of Net Cost and are offset by imputed revenue included in the Other Financing Sources on the Statement of Changes in Net Position. Such imputed costs and imputed financing 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.

Transfer-in from the General Fund

The Treasury is required by law to transfer an amount annually to the Retirement Program from the General Fund of the U.S. Government to subsidize in part the under-funding of the CSRS. The CSRS is funded by employee and agency contributions and remaining funds from the General Fund. The transfer from the 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 and its expenditures are 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 the 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 Act requires that investments of the PSRHBF be made in the same manner as investments of the CSRDF.

On January 19, 2023, The Secretary of the Treasury announced that the U.S. has reached its statutory debt limit and a DISP would on January 19, 2023. During this period, Treasury took 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 June 3, 2023, with the use of the Fiscal Responsibility Act of 2023, Public Law 118-5, the Statutory Debt Limit was suspended through January 1, 2025. 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. 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 thousand 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 thousand 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.

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.

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. In addition, OPM's due to the Treasury Judgment Fund, contingent liabilities, unfunded annual leave, and future estimates workers compensation do not have budgetary resources associated with the liability. (Refer to Note 7, Liabilities not covered by 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 7, Liabilities not covered by budgetary resources).

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 prior 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 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 percent.

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 8, 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.

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.

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.

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 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. The remaining cash and budgetary balances were transferred to parent HHS fund in February FY 2022 to close the child fund within OPM.

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). Obligated and unobligated balances reported for the Status of FBWT do not agree with obligated and unobligated balances reported in the Combined Statement of Budgetary Resources due to budgetary balances that are supported by amounts other than FBWT, such as federal budgetary receivables and unfilled customer orders. These resources provide budget authority; however, do not contribute to FBWT on the Balance Sheet until collected. FY 2023 had approximately $3.3 billion in available resources, and $251 million of unavailable resources from uncollected budgetary resources that were excluded. In FY 2022, approximately $3.1 billion were excluded from obligated, not yet disbursed balances. OPM did not have any FBWT related to Non-Budgetary accounts such as deposit, clearing or unavailable receipt funds in FY 2023 or FY 2022. The following table presents portions of OPM's temporary reductions, unexpended balances that are obligated, unobligated and precluded from obligation as of September 30, 2023 and 2022.

Table 15 – Fund Balance with Treasury

The amounts in the table are in millions.

September 30, 2023					
Unexpended Balances	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Other**	**Total**
FBWT	$1,123	$1,822	$13	$786	$3,744
Investments	1,036,636	57,508	52,249	-	1,146,393
Total, Unexpended Balances	**$1,037,759**	**$59,330**	**$52,262**	**$786**	**$1,150,137**
Status of Fund Balances					
Unobligated:					
Available	-	128	593	(151)	570
Unavailable	-	19,000	49,983	322	69,305
Obligated not yet Disbursed	9,640	8,137	1,686	615	20,078
Temporarily Precluded from Obligation at the End of the Year (Refer to Note 10)	1,028,114	32,050	-	-	1,060,164
Temporary Reductions and Rounding	5	15	-	-	20
Total, Status of Fund Balances	**$1,037,759**	**$59,330**	**$52,262**	**$786**	**$1,150,137**

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
Total, Status of Fund Balances	**$1,011,691**	**$64,522**	**$50,757**	**$771**	**$1,127,741**

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 with the Department of the Treasury (Treasury), either in Government Account Series (GAS) securities or with the Federal Financing Bank 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 Financial Report of the United States Government.

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 $110 billion and $114 billion invested as of September 30, 2023 and 2022, 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 30, 2023 and 2022, respectively:

Table 16 – Investments, Net – Intragovernmental

The amounts in the table are in millions.

September 30, 2023						
Program	**Cost**	**Amortized Discount/ (Premium)**	**Interest Receivable**	**Investments, Net**	**Unrealized Gain/Loss**	**Market Value**
Retirement Program						
Marketable:						
FFB Securities	$5,492	-	$35	$5,527	$(35)	$5,492
Non-Marketable: (PAR)						
Par-value GAS securities	965,763	-	6,063	971,826	(6,063)	965,763
Certificates of Indebtedness	65,381	-	89	65,470	(89)	65,381
Total Retirement Program	**$1,036,636**	**-**	**$6,187**	**$1,042,823**	**$(6,187)**	**$1,036,636**
Health Benefits Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$25,459	$13	$74	$25,546	$(190)	$25,356
Non-Marketable: (PAR)						
Par-value GAS securities	32,050	-	179	32,229	(179)	32,050
Certificates of Indebtedness	-	-	-	-	-	-
Total Health Benefits Program	**$57,509**	**$13**	**$253**	**$57,775**	**$(369)**	**$57,406**
Life Insurance Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$52,551	$(222)	$222	$52,551	$(1,119)	$51,432
Total Life Insurance Program	**$52,551**	**$(222)**	**$222**	**$52,551**	**$(1,119)**	**$51,432**
Total Investments, Net	**$1,146,696**	**$(209)**	**$6,662**	**$1,153,149**	**$(7,675)**	**$1,145,474**

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**

Note 4, Accounts Receivable, Net

Intragovernmental

The balances comprising OPM's intragovernmental accounts receivable as of September 30, 2023 and 2022 are reported in the following table, respectively:

Table 17 – Accounts Receivable, Net – Intragovernmental

The amounts in the table are in millions.

September 30, 2023					
Receivable	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Employer contributions receivable	$24,565	$875	$24	-	$25,464
Other	-	-	-	(34)	(34)
Allowance	(22,704)	-	-	-	(22,704)
Total Accounts Receivable, Net - Intragovernmental	**$1,861**	**$875**	**$24**	**$(34)**	**$2,726**

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 Accounts Receivable, Net - Intragovernmental	**$1,712**	**$809**	**$22**	**$(38)**	**$2,505**

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. 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, 2023 total contributions owed was $22.7 billion, of which OPM has deemed uncollectible due to continued growth and aging of the receivable as a result of USPS budget constraints. Therefore, in accordance with SFFAS 1 and Technical Bulletin 2020-1 Allowance for Intragovernmental Receivables, OPM considers the $22.7 billion owed by USPS as an allowance of doubtful accounts in FY 2023, 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, 2023 and 2022, 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, 2023					
Receivable	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Other**	**Total**
Participant contributions receivable	$238	$1,203	$196	-	$1,637
Overpayment of benefits [net of allowance of $6]	387	-	-	-	387
Due from carriers [net of allowance of $0]	-	35	-	-	35
Other	1	-	-	-	1
Total Accounts Receivable, Net - With the Public	**$626**	**$1,238**	**$196**	**-**	**$2,060**

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 $6]	380	-	-	-	380
Due from carriers [net of allowance of $0]	-	32	-	-	32
Other	-	-	-	-	
Total Accounts Receivable, Net - With the Public	**$585**	**$1,164**	**$187**	**-**	**$1,936**

Included in the Accounts Receivable, Net - With the Public are criminal restitution orders. As of September 30, 2023, the Retirement Program and the Health Benefits Program had a balance of $63.9 million for 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.

Note 5, Federal Employee Benefits Payable

A. Federal Employee Benefits Payable

Federal Employee Benefits Payable include actuarial estimates of all future post-employment benefits for retirement, health and life programs based on certain economic assumptions. In addition, it includes claims or benefits on behalf of employees that have not yet been submitted to the insurer, premiums due to carriers, actual benefits due to employees and their beneficiaries, estimates for future workers compensation benefits and unpaid leave earned that will be funded by future budgetary resources.

The table below provides a breakdown of the Federal Employee Benefits Payable reported on the Balance Sheet as of September 30, 2023 and 2022, respectively.

Table 19 – Federal Employee Benefits Payable

The amounts in the table are in millions.

Federal Employee Benefits Payable	FY 2023	FY 2022
Actuarial Liabilities		
Actuarial Pension Liability	$2,676,100	$2,479,000
Actuarial Health Insurance Liability	380,137	411,673
Actuarial Life Insurance Liability	64,500	61,258
Total Actuarial Liabilities	**$3,120,737**	**$2,951,931**
Liability for Employee Benefits and Claims not yet submitted to carrier	5,488	5,925
Post Retirement Benefits Due and Payable to Carriers and Beneficiaries	10,386	9,758
Other[1]	38	28
Total Federal Employee Benefits Payable	**$3,136,649**	**$2,967,642**

[1] FY 2023 Includes $31 million unpaid annual leave, $7 million future workers compensation benefits. FY 2022 Includes $19 million unpaid annual leave in Revolving Fund and Salaries and Expense program, $7 million future workers compensation benefits. The Benefit Trust Funds reported $9 million unpaid annual leave as Other Liabilities on the Balance Sheet.

B. Reconciliation of Actuarial Liabilities

The table below provides a reconciliation of current year activity in actuarial liabilities by program as of September 30, 2023, and 2022, respectively. Current year actuarial estimates are based on economic assumptions described in section C.

Table 20 – Reconciliation of Actuarial Liabilities

The amounts in the table are in millions.

FY 2023					
Actuarial Liabilities	Pension		Health	Life	Total
	CSRS	FERS			
Beginning Actuarial Liability Balance	$1,170,500	$1,308,500	$411,673	$61,258	$2,951,931
Expense:					
Normal Cost[1]	1,348	60,657	18,657	586	81,248
Interest on the Liability Balance	26,094	38,376	12,786	1,714	78,970
Actuarial (Gain)/Loss:					
From experience	(4,767)	25,176	(1,832)	458	19,035
From assumption changes	61,337	93,381	(44,046)	1,179	111,851
Prior service costs/(credit) from plan changes	-	-	-	-	-
Total Expense	**$84,012**	**$217,590**	**$(14,435)**	**$3,937**	**$291,104**
Less Amounts Paid:					
Benefits and annuities paid	**(73,566)**	**(30,713)**	**(15,574)**	**(685)**	**(120,538)**
Administrative and Other Expenses	**(146)**	**(77)**	**(1,527)**	**(10)**	**(1,760)**
Totals Amounts Paid	**$(73,712)**	**$(30,790)**	**$(17,101)**	**$(695)**	**$(122,298)**
Ending Actuarial Liability Balance	**$ 1,180,800**	**$1,495,300**	**$380,137**	**$64,500**	**$3,120,737**

[1] Life - represents new entrant expense.

FY 2022					
Actuarial Liabilities	**Pension**		**Health**	**Life**	**Total**
	CSRS	**FERS**			
Beginning Actuarial Liability Balance	$1,102,900	$1,127,700	$412,934	$58,740	$2,702,274
Expense:					
Normal Cost[1]	1,568	50,637	19,416	549	72,170
Interest on the Liability Balance	25,651	35,328	13,259	1,701	75,939
Actuarial (Gain)/Loss:					
From experience	65,089	30,699	301	(366)	95,723
From assumption changes	45,524	90,733	10,656	1,330	148,243
Prior service costs/(credit) from plan changes	-	-	(28,289)	-	(28,289)
Total Expense	**$137,832**	**$207,397**	**$15,343**	**$3,214**	**$363,786**
Less Amounts Paid:					
Benefits and annuities paid	(70,094)	(26,516)	(15,154)	(686)	(112,450)
Administrative and Other Expenses	(138)	(81)	(1,450)	(10)	(1,679)
Totals Amounts Paid	**($70,232)**	**($26,597)**	**($16,604)**	**($696)**	**($114,129)**
Ending Actuarial Liability Balance	**$1,170,500**	**$1,308,500**	**$411,673**	**$61,258**	**$2,951,931**

[1] Life - represents new entrant expense.

C. Actuarial Liability Economic Assumptions

Pension Benefits

The OPM 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 economic assumptions used to calculate the Pension Liability and related Pension Expense under SFFAS No. 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 1.0 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 No. 33 to compute the Pension Liability as of September 30, 2023, and 2022, respectively:

Table 21 - Pension Economic Assumptions

Pension Economic Assumptions	FY 2023		FY 2022	
	CSRS	FERS	CSRS	FERS
Inflation	2.6%	2.6%	2.0%	2.0%
Interest Rate/Discount Rate	2.4%	3.0%	2.3%	2.9%
Cost of Living Adjustment[1]	2.6%	2.3%	2.0%	1.8%
Rate of Increase in Salary	2.1%	2.1%	1.6%	1.6%

[1] 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.

Post Retirement Health Benefits

The OPM 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.

The following table presents the significant economic assumptions used to compute the PRHB Liability and related expense for the year ended September 30, 2023, and 2022.

Table 22 – Post-Retirement Health Benefits Economic Assumptions

Post Retirement Economic Assumptions	FY 2023	FY 2022
Interest Rate[1]	3.1%	3.1%
Increase in per capita cost of covered benefits[2]	4.9%	4.5%
Ultimate medical trend rate	4.0%	3.4%

[1] The single equivalent annual interest rate for FY 2023 is derived from a yield curve based on the average of the last 40 quarters through March 2023. 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.

[2] The single equivalent increase in per capita cost of covered benefits for FY 2023 is 4.9%; this is derived from a variable trend which begins at 6.5% in the initial year, 7.0% in the second year, 6.2% in the third year, 5.6% in the fourth year then steadily declines to 4.0% by FY 2075.

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 2023 and FY 2022, as shown in the table below.

Table 23 – Post-Retirement Health Benefits of Assumptions

The amounts in the table are in millions.

Effects of Assumptions	FY 2023		FY 2022	
	One Percent Increase	One Percent Decrease	One Percent Increase	One Percent Decrease
PRHB Liability	$441,060	$330,609	$478,229	$357,429

FY 2023			
Per Capita Normal Cost at Valuation Date		One Percent Increase	One Percent Decrease
Postal	$6,801	$8,405	$5,524
Non Postal*	$9,222	$11,830	$7,221

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

*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).

Life Insurance Benefits

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. As of September 30, 2023, the total amount of FEGLI insurance in-force was estimated at $800.8 billion ($692.2 billion employees + $108.6 billion annuitants). 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).

In applying SFFAS No. 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 2023 and FY 2022. This entails the determination of a single equivalent interest rate that is specific to the ALIL. See the table below.

Table 24 - Life Insurance Economic Assumptions

Economic Assumptions	FY 2023	FY 2022
Interest rate	2.8%	2.8%
Rate of increases in salary	2.1%	1.6%

Note 6, Other Liabilities

Other Liabilities are liabilities not reported elsewhere in the Balance Sheet. They consist of funded and unfunded intragovernmental and public liabilities. Trust Funds included Unfunded Leave in Other Liabilities for FY 2022. However, Unfunded Leave has been modified to be included under the Federal Employee Benefits Payable line for FY 2023. The following table presents the other liabilities reported on the consolidated balance sheet as of September 30, 2023 and 2022.

Table 25 – Other Liabilities

The amounts in the table are in millions.

Other Liabilities	September 30, 2023	September 30, 2022
Intragovernmental Other:		
Employer Contributions and Payroll Taxes Payable	$5	$3
Judgment Fund Payable	260	-
Unfunded FECA Liability	1	2
Other Liabilities	6	2
Total Intragovernmental	**$272**	**$7**
With the Public Other:		
Withholdings Payable	1,182	$1,100
Other Liabilities with Related Budgetary Obligations	487	357
Contingent Liabilities	190	169
Accrued Funded Payroll and Leave	5	7
Unfunded Annual Leave	-	9
Total With the Public	**$1,864**	**$1,642**
Total Other Liabilities	**$2,136**	**$1,649**

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 Treasury continues to assert that OPM is liable to reimburse the TJF for the amount of the judgments/settlements. As a result, OPM carries $260 million as of September 30, 2023, as Intragovernmental Other Liabilities due to the Treasury. Prior to FY 2023, this liability was reported on the balance sheet as Intragovernmental Accounts Payable.

Note 7, Liabilities 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. In addition, OPM's payable due to the Treasury Judgment Fund, contingent liabilities, unfunded annual leave and future estimates of workers compensation do not have budgetary resources associated with the liability. OPM estimates approximately $184 million of the liabilities not covered by budgetary resources to be considered current liabilities as they are expected to become due within the next fiscal year. The unfunded liabilities as of September 30, 2023 and 2022, are presented in the following table:

Table 26 – Liabilities Not Covered by Budgetary Resources

The amounts in the table are in millions.

Liabilities Not Covered by Budgetary Resources	September 30, 2023	September 30, 2022
Intragovernmental:		
Other Liabilities	$267	$4
Federal Employee Benefits Payable	3,120,775	2,951,959
Other Liabilities	190	178
Total Liabilities Not Covered by Budgetary Resources	**$3,121,232**	**$2,952,141**
Total Liabilities Covered by Budgetary Resources	**$17,729**	**$17,611**
Total Liabilities	**$3,138,961**	**$2,969,752**

Note 8, 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 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. 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, 2023, and 2022, 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, 2023, and 2022 are presented in the table below.

Table 27 – Commitments and Contingencies

The amounts in the table are in millions.

September 30	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2023 Legal Contingencies:			
Probable	$190	$190	$697
Reasonably Possible		$5	$72
FY 2022 Legal Contingencies:			
Probable	$169	$169	$679
Reasonably Possible		$5	$70

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 28 – Net Cost by Strategic Goals OPM's Mission Statement:

We are champions of talent for the Federal Government. We lead Federal agencies in workforce policies, programs, and benefits in service to the American people.

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.

September 30, 2023							
Strategic Goals		**Provide CSRS Benefits**	**Provide FERS Benefits**	**Provide Health Benefits**	**Provide Life Insurance Benefits**	**Provide Human Resource Services**	**Total**
Goal 1	Total program cost	$1	$1	$1	$-	$308	**$311**
	Less earned revenue	-	-	-	-	(174)	**(174)**
	Net program cost	1	1	1	-	134	**137**
Goal 2	Total program cost	1	1	1	-	171	**174**
	Less earned revenue	-	-	-	-	(97)	**(97)**
	Net program cost	1	1	1	-	74	**77**
Goal 3	Total program cost	80	43	27	2	47	**199**
	Less earned revenue	-	-	-	-	(27)	**(27)**
	Net program cost	80	43	27	2	20	**172**
Goal 4	Total program cost	-	-	-	-	74	**74**
	Less earned revenue	-	-	-	-	(42)	**(42)**
	Net program cost	-	-	-	-	32	**32**
Additional Mission and Mission Support Activities	Total program cost	25,868	125,628	76,829	5,832	513	**234,670**
	Less earned revenue	(24,389)	(61,211)	(45,441)	(5,111)	(289)	**(136,441)**
	Actuarial (Gain)/Loss	61,337	93,381	(44,046)	1,179	-	**111,851**
	Net program cost	62,816	157,798	(12,658)	1,900	224	**210,080**
Totals	**Total program cost**	**$25,950**	**$125,673**	**$76,858**	**$5,834**	**$1,113**	**$235,428**
	Less earned revenue	**(24,389)**	**(61,211)**	**(45,441)**	**(5,111)**	**(629)**	**(136,781)**
	Actuarial (Gain)/Loss	**61,337**	**93,381**	**(44,046)**	**1,179**	**-**	**111,851**
	Net program cost	**$62,898**	**$157,843**	**$(12,629)**	**$1,902**	**$484**	**$210,498**

September 30, 2022							
Strategic Goals		**Provide CSRS Benefits**	**Provide FERS Benefits**	**Provide Health Benefits**	**Provide Life Insurance Benefits**	**Provide Human Resource Services**	**Total**
Goal 1	Total program cost	$1	$1	$1	$-	$55	**$58**
	Less earned revenue	-	-	-	-	(26)	**(26)**
	Net program cost	1	1	1	-	29	**32**
Goal 2	Total program cost	-	-	-	-	117	**117**
	Less earned revenue	-	-	-	-	(52)	**(52)**
	Net program cost	-	-	-	-	65	**65**
Goal 3	Total program cost	46	59	15	1	10	**131**
	Less earned revenue	-	-	-	-	(4)	**(4)**
	Net program cost	46	59	15	1	6	**127**
Goal 4	Total program cost	1	1	1	-	52	**55**
	Less earned revenue	-	-	-	-	(23)	**(23)**
	Net program cost	1	1	1	-	29	**32**
Additional Mission and Mission Support Activities	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)**
	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**
Totals	**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)**
	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**

NOTE: The Total program cost includes any actuarial gain/loss from experience on pension, ORB, or OPEB actuarial liabilities (see Note 5). 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 September 30, 2023 and 2022, respectively:

Table 29 – Availability of Unobligated Balances – Retirement Program

The amounts in the table are in millions.

September 30	2023	2022
Temporarily precluded from obligation at the beginning of the year	$1,002,814	$977,977
Plus: Trust fund receipts during the year	130,215	122,050
Plus: Appropriations Received	49,889	46,380
Less: Obligations Incurred during the year, net of PY recoveries	154,804	143,593
Excess of trust fund receipts over obligations incurred during the year	25,300	24,837
Temporarily Precluded from Obligation at the End of the Year	**$1,028,114**	**$1,002,814**

Health Benefits Program

OPM administers the Health Benefits 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 2023 and 2022 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, 2023 and 2022.

Table 30 – Availability of Unobligated Balances – Health Benefits Program

The amounts in the table are in millions.

September 30	2023	2022
Temporarily precluded from obligation at the beginning of the year	$35,607	$38,849
Plus: Special Fund receipts during the year	795	909
Less: Obligations Incurred during the year, net of PY recoveries	4,352	4,151
Excess of Special Fund receipts over obligations incurred during the year	(3,557)	(3,242)
Temporarily Precluded from Obligation at the End of the Year	**$32,050**	**$35,607**

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. Apportioned amounts appear on different groups of lines in the Application of Budgetary Resources section of an apportionment. Amounts are identified in an apportionment: by time - [Category A]; by program, project or activity [Category B]; or by a combination of program, project or activity and time period [Category AB]. If an account is not subject to an apportionment, it is considered exempt [E]. Each of OPM's trust funds have an exempt account that receives warrants from the U.S. General Fund each fiscal year to subsidize current year premium costs incurred by the Retirement, Health, and Life benefit programs. The following table details the direct and reimbursable obligations that have been incurred against each apportionment category as of September 30, 2023 and 2022, respectively.

Table 31 – Apportionment Categories of Incurred Obligations

The amounts in the table are in millions.

September 30, 2023				
Program/Fund	**Category**	**Direct**	**Reimbursable**	**Total**
Retirement Program	B	$104,920	$-	$104,920
Retirement Program	E	49,889	-	49,889
Health Benefits Program	B	69,081	-	69,081
Health Benefits Program	E	14,495	-	14,495
Life Insurance Program	B	3,871	-	3,871
Life Insurance Program	E	43	-	43
Revolving Fund Program	B	-	628	628
Salaries and Expenses	AB	559	210	769
Total		**$242,858**	**$838**	**$243,696**

September 30, 2022				
Program/Fund	**Category**	**Direct**	**Reimbursable**	**Total**
Retirement Program	B	$97,214	-	$97,214
Retirement Program	E	46,380	-	46,380
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	AB	547	183	730
Total		**$228,782**	**$782**	**$229,564**

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 2025, which will contain the actual budgetary resources information for FY 2023, will be available on a later date at **President's Budget | The White House**. The President's Budget for FY 2024, which contains actual budgetary resource information for FY 2022, was released on March 9, 2023. See the table below for comparison of Combined Statements of Budgetary Resources to the President's Budget.

Table 32 – 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	$302,501	$229,564	$47,829	$113,073
Expired Funds	(98)	(23)	-	-
Distributed Offsetting Receipts	-	-	(47,829)	47,829
Reconciling Differences/Rounding	(2)	(3)	-	-
Budget of the U.S. Government	$302,401	$229,538	-	$160,902

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 fiscal year-end. Undelivered orders as of September 30, 2023 and 2022, are presented in the table below.

Table 33 – Undelivered Orders End of Period

The amounts in the table are in millions.

September 30, 2023						
Undelivered Orders	**Unpaid**			**Paid**		
Program	**Federal**	**Non-Fed**	**Total Unpaid**	**Federal**	**Non-Fed**	**Total Paid**
Revolving Fund	$114	$171	$285	$3	$-	$3
Salaries & Expenses	119	168	$287	3	-	$3
Totals	**$233**	**$339**	**$572**	**$6**	**$-**	**$6**

September 30, 2022						
Undelivered Orders	**Unpaid**			**Paid**		
Program	**Federal**	**Non-Fed**	**Total Unpaid**	**Federal**	**Non-Fed**	**Total Paid**
Revolving Fund	$85	$222	$307	$2	$-	$2
Salaries & Expenses	86	93	179	3	-	3
Totals	**$171**	**$315**	**$486**	**$5**	**$-**	**$5**

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 No. 7, as amended by SFFAS No. 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 OMB Circular 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 2023 and FY 2022, therefore, not disclosed.

U. S. OFFICE OF PERSONNEL MANAGEMENT
Combined Reconciliation of Net Operating Cost and Net Budgetary Outlays
September 30, 2023
(In Millions)

	Intra-governmental	With The Public	Total FY 2023
Net Operating Cost	**$(102,513)**	**$313,011**	**$210,498**
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	(2)	(2)
Increase/(Decrease) in Assets:			
Accounts Receivable	221	124	345
Advances and Prepayments	1	-	1
Investments	320	-	320
Other Assets	1	295	296
(Increase)/Decrease in Liabilities:			
Accounts Payable	263	(2)	261
Federal Employee Benefits Payable	-	(169,002)	(169,002)
Advances from Others and Deferred Revenues	(21)	46	25
Other Liabilities	(263)	(227)	(490)
Other Financing Sources:			
Imputed Financing Sources	(35)	-	(35)
Appropriated Trust Fund Receipts	131,010	-	131,010
Other Miscellaneous Items	3	-	3
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$131,500**	**$(168,768)**	**$(37,268)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Financing Sources:			
Transfers out (in) without reimbursements	9	-	9
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$9**	**$-**	**$9**
Net Outlays (Calculated Total)	**$28,996**	**$144,243**	**$173,239**
Misc. Items:			
Distributed Offsetting Receipts			(50,730)
Agency Outlays, Net			**$122,509**

U. S. OFFICE OF PERSONNEL MANAGEMENT
Combined Reconciliation of Net Operating Cost and Net Budgetary Outlays
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

Note 15, Health Benefits / Life Insurance Program Concentrations

During FY 2023 and FY 2022, 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, 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 2022 FR can be found here: **2022 Financial Report (FR)** and a copy of the 2023 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 34 – Reclassification of Statement of Net Cost and Statement of Changes in Net Position

The amounts in the table are in millions.

September 30, 2023			
Office of Personnel Management Statement of Net Cost		Line Items Used to Prepare FY 2023 Governmentwide-SNC	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
Gross Costs	$235,428	$230,541	Non-federal gross cost
		4	Federal gross cost - Benefits program costs
		35	Federal gross cost - Imputed costs
		4,848	Federal gross cost - Buy/Sell cost[1]
Total Gross Costs	**$235,428**	**$235,428**	**Total Gross Costs**
Earned Revenue	136,781	29,381	Non-federal earned revenue
		79,106	Federal earned revenue - Benefits program revenue
		1,117	Federal earned revenue - Buy/Sell revenue[1]
		27,174	Federal earned revenue - Federal securities interest revenue including associated gains and losses
		3	Federal earned revenue - Collections transferred in to a TAS other than the General Fund
Total Earned Revenue	**$136,781**	**$136,781**	**Total Earned Revenue**
Gain/Loss on Pension, ORB, or OPEB Assumption Changes	111,851	111,851	Gains/losses from changes in actuarial assumptions
Net Cost of Operations	**$210,498**	**$210,498**	**Net Cost of Operations**

[1] Treasury's Reclassified Statement of Net Cost lines adjusted for intradepartmental elimination differences.

September 30, 2023			
Office of Personnel Management Statement of Changes in Net Position		**Line Items Used to Prepare FY 2023 Governmentwide-SCONP**	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
Unexpended Appropriations			
Unexpended Appropriations Beginning Balance	$371	$371	Net Position, Beginning Balance
Financing Sources:			Financing Sources:
Appropriations Received	65,252	65,252	Appropriations Received as Adjusted (1/2)
Adjustments	($630)	(634)	Appropriations Received as Adjusted (2/2)
		2	Non-expenditure transfers-out of unexpended appropriations and financing sources[1]
		2	Non-expenditure transfers-in of unexpended appropriations and financing sources[1]
Appropriations Used	($64,610)	(64,610)	Appropriations Used
Total Financing Sources	12	12	Total Financing Sources
Total Unexpended Appropriations - Ending Balance	**$383**	**$383**	**Net Position, End of Period**
Cumulative Results of Operations			
Cumulative Results, Beginning Balance	($1,830,578)	($1,830,578)	Net Position, Beginning Balance
Financing Sources:			Financing Sources:
Appropriations Used	64,610	64,610	Appropriations Expended
Transfer-In/Out Without Reimbursement	(9)	(9)	Transfers without reimbursement[1]
Other Financing Sources	31	34	Imputed Financing Sources
		2	Other taxes and receipts
		(5)	Non-Entity collections transferred to the General Fund of the U.S. Government
Total Financing Sources	64,632	64,632	Total Financing Sources
Net Cost of Operations	210,498	210,498	Net Cost of Operations[1]
Net Change	(145,866)	(145,866)	Calculated Net Change
Cumulative Results of Operations - Ending Balance	**($1,976,444)**	**($1,976,444)**	**Net Position, End of Period**
Net Position	**($1,976,061)**	**($1,976,061)**	**Net Position, End of Period**

[1] Treasury's Reclassified Statement of Changes in Net Position lines adjusted for intradepartmental elimination differences.

Consolidating Financial Statements

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING BALANCE SHEET
As of September 30, 2023
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2023
ASSETS							
Intragovernmental:							
Fund Balance with Treasury [Note 2]	$1,123	$1,822	$13	$418	$368	$ -	$3,744
Investments [Note 3]	1,042,823	57,775	52,551	-	-	-	$1,153,149
Accounts Receivable [Note 4]	1,861	875	24	22	183	(239)	$2,726
Advance to Others and Prepayments	-	-	-	3	3	-	$6
Other Assets [Note 1L]	-	-	1	-	-	-	$1
Total Intragovernmental	1,045,807	60,472	52,589	443	554	(239)	1,159,626
With the Public:							
Accounts Receivable, Net [Note 4]	626	1,238	196	-	-	-	2,060
General Property, Plant, and Equipment, Net	-	-	-	-	-	-	-
Other Assets [Note 1L]	-	463	751	-	-	-	1,214
Total With the Public	626	1,701	947	-	-	-	3,274
TOTAL ASSETS	$1,046,433	$62,173	$53,536	$443	$554	($239)	$1,162,900
LIABILITIES							
Intragovernmental							
Accounts Payable	$109	$109	$16	$7	$4	($239)	$6
Advances from Others and Deferred Revenues	-		-	99	49	-	148
Other Liabilities (Notes 6 & 7)	-	260	-	2	10	-	272
Total Intragovernmental	109	369	16	108	63	(239)	426
With the Public:							
Accounts Payable	-	-	-	20	5	-	25
Advances from Others and Deferred Revenue	-	4	-	(7)	-	-	(3)
Federal Employee Benefits Payable [Notes 5]	2,684,312	386,157	66,151	10	19	-	3,136,649
Other Liabilities (Notes 6 & 7)	1,421	330	14	95	4	-	1,864
Total With the Public	2,685,733	386,491	66,165	118	28	-	3,138,535
TOTAL LIABILITIES	$2,685,842	$386,860	$66,181	$226	$91	($239)	3,138,961
Commitments and Contingencies [Note 7]							
NET POSITION							
Unexpended Appropriations-Funds from Other than Dedicated Collections	-	$0	-	-	$383	-	$383
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(1,639,409)	(324,687)	(12,645)	217	80	-	(1,976,444)
TOTAL NET POSITION	($1,639,409)	($324,687)	($12,645)	$217	$463	$ -	($1,976,061)
TOTAL LIABILITIES AND NET POSITION	$1,046,433	$62,173	$53,536	$443	$554	($239)	$1,162,900

The accompanying notes are an integral part of the 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 Prepayment	-	-	-	2	3	-	5
Total Intragovernmental	1,019,057	65,682	51,211	428	498	(188)	1,136,688
With the Public:							
Accounts Receivable from the Public, 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							
Accounts Payable	$71	$356	$16	$7	$7	($188)	$269
Advances from Others and Deferred Revenues	-	-	-	105	23	-	128
Other Liabilities (Notes 6 & 7)	-	-	-	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 [Note 5]	2,486,557	418,203	62,856	10	16	-	2,967,642
Other Liabilities (Notes 6 & 7)	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	-	-	-	-	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 STATEMENT OF NET COST

As of September 30, 2023

(In Millions)

	Retirement Program			Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2023
	CSRS	FERS	Total						
GROSS COSTS									
Intragovernmental	$3,023	$1,579	$4,602	$ 8	$ -	$213	$249	($185)	$4,887
With the Public:									
Pension Expense [Note 5]	22,927	124,094	147,021	-	-	-	-	-	147,021
Post-Retirement Health Benefits [Note 5]	-	-	-	12,511	-	-	-	-	12,511
Future Life Insurance Benefits [Note 5]	-	-	-	-	2,063	-	-	-	2,063
Current Benefits and Premiums	-	-	-	64,219	3,764	-	-	-	67,983
Other Gross Costs With the Public	-	-	-	120	7	416	420	-	963
Total Gross Costs With the Public	22,927	124,094	147,021	76,850	5,834	416	420	-	230,541
Total Gross Costs	$25,950	$125,673	$151,623	$76,858	$5,834	$629	$669	($185)	$235,428
EARNED REVENUE									
Intragovernmental:									
Employer Contributions	$6,702	$47,972	$54,674	$24,222	$695	-	-	($78)	$79,513
Earnings on Investments	17,453	6,965	$24,418	1,650	1,106	-	-		27,174
Collections Transferred In	-	-	-	3	-	-	-		3
Other Intragovernmental Earned Revenue	-	3	3	-	-	636	178	(107)	710
Total Intragovernmental Earned Revenue	24,155	54,940	79,095	25,875	1,801	636	178	(185)	107,400
With the Public:									
Participant Contributions	234	6,271	6,505	19,555	3,310	-	-		29,370
Other With the Public Earned Revenue	-	-	-	11	-	-	-		11
Total Earned Revenue With the Public	234	6,271	6,505	19,566	3,310	-	-	-	29,381
Total Earned Revenue	$24,389	$61,211	$85,600	$45,441	$5,111	$636	$178	($185)	$136,781
Net Cost	$1,561	$64,462	$66,023	$31,417	$723	($7)	$491	-	$98,647
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5]	61,337	93,381	154,718	(44,046)	1,179	-	-	-	111,851
Net Cost of Operations	$62,898	$157,843	$220,741	($12,629)	$1,902	($7)	$491	-	$210,498

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			Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2022
	CSRS	FERS	Total						
GROSS COSTS									
Intragovernmental	2,284.00	1,127.00	3,411.00	-	-	$156	$518	($443)	$3,642
With the Public:									
Pension Expense [Note 5]	92,308	116,664	208,972	-	-	-	-	-	208,972
Post-Retirement Health Benefits [Note 5]	-	-	-	4,687	-	-	-	-	4,687
Future Life Insurance Benefits [Note 5]	-	-	-	-	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 [Notes 8 and 9]	$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 Earned Revenue With the Public			-	10	3	-	-	-	13
Total Earned Revenue With the Public	287	5,469	5,756	18,306	3,202	-	-	-	27,264
Total Earned Revenue	$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 [Note 5]	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	-	$291,385

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, 2023

(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	FY 2023
UNEXPENDED APPROPRIATIONS						
Beginning Balance	-	-	-	-	$371	$371
						-
Budgetary Financing Sources:						
Appropriations Received	49,889	15,122	43	-	198	65,252
Other Adjustment	-	(627)	-	-	(3)	(630)
Appropriations Used	(49,889)	(14,495)	(43)	-	(183)	(64,610)
Total Budgetary Financing Sources	-	-	-	-	12	12
Total Unexpended Appropriations - Ending Balance	-	-	-	-	$383	$383
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	($1,468,332)	($351,724)	($10,780)	$196	$62	($1,830,578)
Budgetary Financing Sources:						
Appropriations Used	49,889	14,495	43	-	183	64,610
Transfer-In/Out Without Reimbursement	(222)	(87)	(6)	-	306	(9)
Other Financing Sources	(3)	-	-	14	20	31
Total Financing Sources	49,664	14,408	37	14	509	64,632
Net Cost of Operations	220,741	(12,629)	1,902	(7)	491	210,498
Net Change	(171,077)	27,037	(1,865)	21	18	(145,866)
Cumulative Results of Operations - Ending Balance	($1,639,409)	($324,687)	($12,645)	$217	$80	($1,976,444)
NET POSITION	($1,639,409)	($324,687)	($12,645)	$217	$463	($1,976,061)

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 Adjustments	-	(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	-	$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.

Required Supplementary Information

U.S. OFFICE OF PERSONNEL MANAGEMENT

COMBINING STATEMENT OF BUDGETARY RESOURCES

As of September 30, 2023

(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 2023
BUDGETARY RESOURCES									
Unobligated Balance from Prior Year Budget Authority, Net	$4	-	$22,945	-	$49,305	-	$435	$394	$ 73,083
Appropriations	104,916	49,889	4,352	14,495	-	43	-	198	173,893
Spending Authority from Offsetting Collections	-	-	63,543	-	5,393	-	702	528	70,166
Total Budgetary Resources	$104,920	$49,889	$90,840	$14,495	$54,698	$43	$1,137	$1,120	$ 317,142
STATUS OF BUDGETARY RESOURCES									
New Obligations and Upward Adjustments [Note 11]	$104,920	49,889	$69,081	$14,495	$3,871	$43	$628	$769	$243,696
Unobligated Balance, End of Year:									
Apportioned, Unexpired Accounts	-	-	2,759	-	593	-	479	59	3,890
Exempt from Apportionment, Unexpired Accounts	-	-	-	-	-	-	-	-	-
Unapportioned, Unexpired Accounts	-	-	19,000	-	50,234	-	30	11	69,275
Expired, Unobligated Balance, End of Year	-	-	-	-	-	-	-	281	281
Total Unobligated Balance, End of Year	-	-	21,759	-	50,827	-	509	351	73,446
Total Budgetary Resources	$104,920	$49,889	$90,840	$14,495	$54,698	$43	$1,137	$1,120	$317,142
OUTLAYS, NET									
Outlays, Net	$104,147	49,889	$6,035	$14,448	($1,505)	$43	$4	$178	$173,239
Less: Distributed Offsetting Receipts	(49,935)	-	(795)	-	-	-	-	-	(50,730)
Agency Outlays, Net	$54,212	$49,889	$5,240	$14,448	($1,505)	$43	$4	$178	$122,509

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
Exempt from Apportionment, Unexpired Accounts	-	-	-	-	-	-	-	-	-
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.

Other Information

OIG Top Management Challenges for FY 2024 Report

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

October 11, 2023

MEMORANDUM FOR THE HONORABLE KIRAN A. AHUJA
Director

FROM: KRISTA A. BOYD Krista A. Boyd Digitally signed by Krista A. Boyd Date: 2023.10.11 14:01:08 -04'00'
Inspector General

SUBJECT: Final Report on the U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2024

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 2024, which will be included in OPM's AFR. Under section 8M of the Inspector General Act, as amended (5 U.S.C. §§ 401-424), 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 July 26, 2023, which identified three overarching categories of challenges facing OPM - the financial integrity of the OPM administered 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: The Honorable Robert H. Shriver
Deputy Director

Alethea Predeoux
Chief of Staff

Lisa M. Loss
Acting Chief Management Officer

Webb Lyons
General Counsel

Erica D. Roach
Acting 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. Morris
Director, Office of Procurement Operations

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

Anica Wooten
Lead Auditor, 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 2024

October 11, 2023

EXECUTIVE SUMMARY

The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2024

October 11, 2023

The Purpose of This Report

The Reports Consolidation Act of 2000 requires the Inspector General to identify and report annually the top management and performance challenges facing the agency and assess the agency's progress in addressing those challenges. We have separated the challenges into three overarching categories of challenges facing the U.S. Office of Personnel Management (OPM) – the financial integrity of the OPM administered trust funds, which impacts OPM's Federal Employees Health Benefits Program, 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 A. Boyd
Digitally signed by Krista A. Boyd
Date: 2023.10.11 14:23:25 -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 the OPM Administered 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, we added one new area, closing skills gaps, due to this area continuing to be a high-priority effort by OPM, in partnership with the Chief Human Capital Officer's Council, to close agency-specific and Governmentwide skills gaps in high-risk mission critical occupations.

ABBREVIATIONS

CIO	**Chief Information Officer**
COVID-19	**Coronavirus Disease 2019**
FEHBP	**Federal Employees Health Benefits Program**
FY	**Fiscal Year**
GAO	**U.S. Government Accountability Office**
GEMS	**Governmentwide Enrollment and Member Support**
IG	**Inspector General**
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**
S&EMP	**Sampling and Estimation Methodology Plan**
USPS	**U.S. Postal Service**

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Top Management Challenges

1. Financial Integrity of the OPM Administered 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 three trust funds;
- there are over 8.1 million participants in the FEHBP and the program made over $60 billion in disbursements of claim payments in fiscal year (FY) 2022;
- the retirement programs make more than $87 billion in annual annuity payments to nearly 2.8 million Federal annuitants; and
- the Federal Employees' Group Life Insurance Program covers approximately 4.3 million Federal employees, retirees, survivors, and their eligible family members and paid out over $3.86 billion in FY 2022.

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 8.1 million Federal employees, retirees, and their eligible family members. As discussed in previous years and we continue to discuss and recommend in this report, 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, resulting in a lack of funding to conduct studies regarding how benefits are delivered, such as the prescription drug benefit. Therefore, 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.

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Previous work to address prescription drug pricing transparency and low-value care are examples of the agency's positive efforts in this area, but OPM must continue to work with its stakeholders to keep improving the FEHBP for Federal employees, retirees, and their eligible family members.

Prescription Drug Benefits and Costs

Prescription drug costs continue to increase in the FEHBP. From 2020 to 2022, prescription drug costs have increased nearly 11 percent for the FEHBP's fee-for-service and experience-rated carriers. Currently, total FEHBP prescription drug costs represent approximately 30 percent of total health care costs. By comparison, on average, prescription drugs account for roughly 10 percent of total health care costs in the United States. As of 2022, FEHBP pharmacy benefits totaled more than $16 billion annually.

OPM points out that the reason the FEHBP prescription drug costs are nearly a third of total health care costs is because approximately half of FEHBP subscribers are annuitants, who are higher users of prescription drugs than younger populations. However, it is important to note that annuitant non-prescription drug costs (hospital, medical, etc.) are also higher than for younger populations; however, those costs are not a main driver of increased premiums. Therefore, annuitant non-prescription costs may substantially negate the overall impact of higher annuitant drug costs to total health care costs in the calculation of this ratio for the FEHBP.

Most FEHBP health insurance 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 Pharmacy Benefit Managers transparency requirements. As shown in the final audit report on Group Health Incorporated's FEHBP pharmacy operations[1] issued February 16, 2023, the reliance on FEHBP carriers and pharmacy benefit managers to incorporate transparency standards into their

[1] Report Number 1H-08-00-21-015

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contracts and ensure compliance with those contracts is not sufficient. This report questioned over $15 million because the transparency standards were not incorporated into the contract between Group Health Incorporated and its pharmacy benefit manager. Further, 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[2] to OPM's Director 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 FEHBP health insurance carriers, with those that have higher enrollments receiving the best deals, reducing the likelihood that the FEHBP is maximizing prescription drug savings in a $60 + billion annual program. Since a study had not been completed by OPM in over a decade, the report recommended that OPM conduct a new, comprehensive study by seeking independent expert consultation on ways to lower prescription 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 continues to face an ongoing challenge related to its ability to detect, identify, and prevent ineligible family members from using FEHBP benefits. This issue has recently attracted attention from Congress and was the subject of a U.S. Government Accountability Office (GAO) report in December 2022. The OPM OIG's concerns generally align with those stated in the GAO report.

Member eligibility in the FEHBP is exclusively validated by the respective employing office of a Federal employee or the FEHBP health insurance carrier that provides health insurance benefits to a Federal employee. OPM has taken steps to help ensure these entities are detecting and removing ineligible family members through communicating guidance to agency benefits officers and participating FEHBP health insurance carriers. However, OPM's reactive oversight functions to gauge agency and FEHBP health insurance carrier compliance with the recent eligibility guidance face substantial challenges due to the previous lack of, or minimal, oversight efforts on the issue. The OIG continues to await the agency's outcomes for its existing planned program integrity initiatives, including Benefits Administration Letters and further guidance

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

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related to identifying ineligible family members. According to information provided by the agency, OPM is reviewing potential methods to collect reliable data regarding removed individuals, but the decentralization of enrollment makes the information difficult to consolidate.

In its response to the GAO recommendations,[3] OPM concurred that it should implement a monitoring mechanism to identify and remove ineligible family members from the FEHBP. Improving the detection of ineligible family members added to FEHBP health insurance plans during the annual Open Season (November to December), whether through promoting additional efforts by the employing offices, working with and providing further guidance to FEHBP health insurance carriers, or efforts by the program office, is one of the areas likely to have the most impact in detecting and preventing ineligible family members receiving health coverage through the FEHBP. In its investigations, the OPM OIG has found that bad actors exploit the lack of verification requirements during the Open Season enrollment period. Continuing efforts by OPM to limit this vulnerability will improve the FEHBP's program integrity in the future.

OPM's Governmentwide Enrollment and Member Support (GEMS) program, the working name for the concept of a centralized enrollment system for the FEHBP, is potentially a significant development for reducing fraud, waste, and abuse in the program. However, the timeline for development and implementation for this concept is unknown. Based on information from OPM's Healthcare and Insurance program office, OPM may request funding once the new Postal Service Health Benefits Program (PSHBP) is fully implemented. Per information shared by the Healthcare and Insurance program office, OPM's Master Enrollment Index, identified as an "interim but necessary step for GEMS," can assess trends in FEHBP enrollment and allow for targeted data queries, such as the number of dual enrollments, that warrant further exploration. The OPM OIG has not, to our knowledge, received investigative referrals based on information discovered by this tool.

One of the OPM OIG's ongoing concerns has been that OPM does not have a comprehensive understanding of the likelihood and effect of improper payments from ineligible FEHBP members. GAO relatedly recommended that OPM assess and document its level of fraud risk related to ineligible FEHBP members. OPM concurred with GAO's recommendation as part of the development of its fraud risk profile and has also stated that further monitoring through comprehensive audits may be appropriate.

As part of the development and implementation of the PSHBP, OPM intends to create a central enrollment portal. This is a potentially encouraging program integrity function for the new program since a central enrollment process will allow OPM to implement better controls to prevent improper enrollment activity. However, how and when OPM can leverage the

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[3] *Federal Employees Health Benefits Program: Additional Monitoring Mechanisms and Fraud Risk Assessment Needed to Better Ensure Member Eligibility* , GAO-23-105222, published December 9, 2022 and publicly released January 9, 2023.

development of this portal for the entire FEHBP is uncertain. By OPM's own estimate, the cost of ineligible family members to the FEHBP is up to $1 billion annually. The OPM OIG encourages OPM to take advantage of opportunities to use the lessons learned from the PSHBP's central enrollment portal to aggressively support its program integrity efforts and reduce program costs, whether through applying those lessons to GEMS or otherwise, as expeditiously as possible.

The Effects of the Opioid and Drug Abuse Epidemic on the FEHBP

Drug overdose deaths reached new highs during the COVID-19 pandemic.[4] The nature of the current wave of the opioid epidemic, and the increase driven primarily by illicit fentanyl, complicates OPM's response for the FEHBP. However, FEHBP members harmed by opioid addiction can seek care for addiction treatment, opioid antagonists, or other ancillary effects of addiction or substance abuse, so it is imperative that OPM and the contracted FEHBP health insurance carriers continue to improve programs and systems that allow for the safe use of opioids and treatment for addiction.

In its response to the fiscal year 2023 Top Management Challenges, OPM detailed many of its efforts—highlighting specifically Carrier Letters 2022-03, 2022-02, 2021-03, 2020-01, 2019-01, 2018-01 and 2017-01—to combat opioid and substance use disorders among its members. These efforts are incredibly important to protecting FEHBP members. The OPM OIG respects the agency's years long commitment to improving its safety and prescribing guidance and overall efforts in working with the FEHBP health insurance carriers related to the prescribing of opioids and drugs of abuse.

As OPM continues to encourage the FEHBP's health insurance carriers to protect FEHBP members from opioid and substance abuse through programs, policies, and initiatives, the OPM OIG encourages OPM and the FEHBP health insurance carriers to work together to continue ensuring FEHBP members have safe, reliable access to necessary opioid medications while also identifying and referring for investigation these related opioid/substance abuse schemes.

Maintaining or refining flexibilities to manage substance abuse disorders throughout the COVID-19 pandemic is one such way that OPM has embraced its ability to provide and increase FEHBP members' access to vital services. The OPM OIG sees this as a highly encouraging effort.

The OPM OIG has continued to receive and investigate fraud, waste, and abuse allegations involving secondary harms from the opioid and substance abuse epidemic. These include urinary drug screening schemes, schemes involving opioid overdose treatment medications such as naloxone, and others.

[4] https://www.cnn.com/2023/05/03/health/fentanyl-overdose-cdc-report/index.html

There is an existing requirement that "Carriers must have processes in place to detect and remedy concerns about overuse, misuse, or fraud related to opioid prescribing" (Carrier Letter 2022-02). We encourage OPM to work with—and mandate through contract or Carrier Letter as necessary—the FEHBP health insurance carriers to increase opioid and substance abuse-related data provided to the agency and the OPM OIG, particularly related to the carrier-required access to programs that identify members at risk of substance abuse disorders and provider outreach or education that is targeted at outlying opioid prescribers. Individual carrier notifications from the FEHBP provide referrals for investigation, but proactive fraud, waste, and abuse detection efforts such as identifying outlying providers remain an important tool for OPM and the FEHBP health insurance carriers. Access to additional information allows the OPM OIG to use the suspension and debarment actions to remove unprofessional medical providers from the FEHBP and better protect FEHBP members. To help see broader trends in opioid usage and treatment, greater information sharing efforts (reported more frequently than annual fraud, waste, and abuse reports) from the frontline efforts of the FEHBP health insurance carriers are valuable to both the agency and the OIG.

Health Insurance Carriers' Fraud and Abuse Programs

FEHBP health insurance carriers' fraud, waste, and abuse programs remain an ongoing Top Management Challenge for OPM. As the OPM OIG has previously identified, the multiple layers and diffused environment of these programs within the FEHBP creates oversight challenges for the FEHBP health insurance carriers, for OPM, and for the OPM OIG. Because of the complexity of the FEHBP program, the numerous entities involved in fraud, waste, and abuse detection, and the substantial risks of financial and patient harm associated with health-care-related fraud and abuse, continual improvement of OPM's work with health benefits carriers' fraud, waste, and abuse programs is essential.

Recent years have shown the necessity of OPM being able to provide guidance (including fraud, waste, and abuse prevention guidance) to rapidly address emergent health care concerns such as the ongoing opioid epidemic and the Coronavirus Disease 2019 (COVID-19) pandemic. For example, Carrier Letter[5] 2020-08 encouraged increased access to telehealth, as well as mandated coverage for COVID-19 diagnostic tests, and Carrier Letter 2020-19 ensured FEHBP members were able to quickly receive vaccines at no cost. In adapting care to these changing scenarios, OPM has generally been effective with its Carrier Letters guiding the FEHBP health insurance carriers.

OPM provides fraud mitigation and reduction guidance through Carrier Letters and contract provisions related to fraud, waste, and abuse. However, the last comprehensive fraud, waste, and abuse-related Carrier Letter was published in November 2017 (Carrier Letter 2017-13). Much

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[5] Carrier Letters are issued by OPM's Healthcare and Insurance office to provide guidance, instructions and communicate information to carriers participating in the FEHBP.

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has changed in the health care sector over the past six years. Revisiting this important topic and updating FEHBP fraud mitigation guidance as necessary would be a potentially positive step in addressing this Top Management Challenge.

One potential area of improvement is increasing information sharing and strengthening reporting requirements. The OPM OIG has on its own engaged with FEHBP health insurance carriers to increase information exchange to support program integrity activities. OPM's facilitation regarding fraud, waste, and abuse reporting is an area of partnership that would help protect the FEHBP. For example, increasing identification and information regarding telehealth outliers or suspicious telehealth practices (or other leading indicators of potential fraud) could potentially uncover costly fraud schemes, but may require OPM to add requirements to FEHBP health insurance carrier fraud, waste, and abuse reporting.

Providing guidance that improves FEHBP health insurance carriers' fraud and abuse programs and reporting could emphasize ensuring that its health insurance contract carriers—and the subcontractors, such as Pharmacy Benefit Managers and mental health contractors—are providing as much information as possible to prevent fraud, waste, and abuse. This has been an area where data sharing has improved, but it does require vigilance from all parties to ensure that information is shared appropriately so that program integrity and oversight functions are effective and complete.

The OPM OIG encourages OPM to consider if there are areas of fraud, waste, and abuse reporting that can be improved by increasing information sharing. Additionally, as OPM's Healthcare and Insurance office continues with its existing program improvements—increased information sharing from the Master Enrollment Index, increased efforts to understand the root causes of improper payments, etc.—factoring in how those improvements can also improve FEHBP health insurance carrier fraud, waste, and abuse reporting is an area the OPM OIG encourages the program office to consider.

OPM should also ensure that any health insurance carriers participating in the PSHBP, once that program is implemented and operating, must share similar levels of information regarding fraud, waste, and abuse. Opportunities to integrate fraud, waste, and abuse reporting as the program develops should not be overlooked.

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 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." Congress appropriated $70.5 million (for FY 2022 until expended) to OPM to implement the requirements of the law. For FY 2024, OPM requested an additional $37.7 million, which would include $28 million in ongoing operational costs for activities that began in FY 2023 and will continue into FY 2024. The remaining $9.5 million was requested to meet a surge in demand for customer support due to 1.7 million individuals changing their health enrollment to a PSHBP plan. It is critical that OPM ensure that any funding for PSHBP is spent in an efficient and cost-effective manner.

The OMB Statement of Administration Policy also stated that "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 continue to develop its Carrier Connect software for carriers to use to submit their applications to participate in the PSHBP as well as to submit their benefits and rates; issue a call letter and technical guidance for carriers by February 2024; 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 the 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 and begin to process carrier applications to the PSHBP in such a short timeframe, while continuing to ensure that sufficient resources are devoted to the continued management of the broader 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, project management, and resource allocation for these projects continues to be a challenge for OPM.

Identifying and Reducing the Flow of Improper Payments

The Federal Employees Health Benefits Program

OPM is highly reliant on its contracted FEHBP health insurance carriers to perform fraud, waste, and abuse detection. OPM has also asserted that FEHBP program integrity functions are the responsibility of the OIG, as stated in its response to last year's Top Management Challenges report. However, this approach makes it difficult to adequately address program integrity issues that affect the entire universe of the FEHBP program.

OPM relies heavily on the efforts of its contracted FEHBP carriers to perform program integrity functions. We have identified previously, and identify elsewhere in this report, the complex network of contractors and subcontractors involved in the FEHBP as presenting a challenge to OPM's oversight of fraud, waste, and abuse in the FEHBP. OPM has asserted that the functions of a Program Integrity Office "already resides within the OIG." However, the OPM OIG cannot make policy decisions for the FEHBP, and policy implementation is a key component of effective oversight, especially when novel fraud schemes emerge that affect the program or cause harm or fraud across multiple FEHBP carriers. The OPM OIG continues to see the lack of an OPM program integrity office or unit for the FEHBP as a significant aspect of this challenge.

In its response to the draft of this report, OPM stated the following:

> 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 [Healthcare and Insurance'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 [Healthcare and Insurance's] benefit programs. OPM's commitment in administering and overseeing the [Fraud, Waste, and Abuse] functions via this partnership is unwavering.

OPM officials have frequently made similar verbal statements regarding the establishment of the OPM OIG. There appears to be a view that there is a "special relationship" between OPM and the OPM OIG because internal oversight functions were transferred in 1988 to the newly established Inspector General (IG) office. However, under the transfer of functions clause, every OIG that was established in the IG Act of 1978, and the IG Act Amendments of 1988, involved the transfer of internal oversight functions of the establishment to the respective IG. There is nothing unique about the establishment of the OPM OIG and there is no "special relationship"

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that would serve to relieve the agency of its obligation to implement program integrity measures over its own program.

The OPM OIG has responsibility for oversight of all OPM programs and activities. We conduct a risk-based program of audits, investigations, and evaluations across a broad portfolio of health care, retirement, and other internal functions. Our annual oversight plan is based on perceived and actual risk, with potentially varying emphasis on fraud, waste, and abuse in the FEHBP. OIG oversight is also inherently retroactive—generally, audits and investigations review events that have already occurred.

OPM is responsible for implementing preventive program integrity controls. Part of this would be the implementation of a formal program integrity function within the agency. OPM's frequent assertion that this function already exists within the OIG ignores its own oversight responsibility. OPM has also stated that since the transfer of functions to the OIG in 1988, it does not have the resources to perform oversight of a program that it administers. This is not a serious argument. OPM has the authority to request the resources necessary to properly administer and oversee the FEHBP.

Furthermore, nothing in the IG Act precludes the agency from engaging in program integrity oversight to prevent fraud. In fact, it is the agency's duty to also perform fraud, waste, and abuse assessments in addition to those performed by the OIG. Across the Federal Government, there are examples of agencies successfully executing program integrity functions independently from their respective OIGs. Program integrity offices are valuable components of benefit-paying Federal agencies, with examples including the Department of Health and Human Services Centers for Medicare and Medicaid Services' Center for Program Integrity, the Veterans Health Administration's Division of Program Integrity within the Office of Integrity and Compliance, and the Defense Health Agency's TRICARE program integrity group.[6] Even within OPM, there are examples of at least two program divisions that are actively engaged in program oversight: Merit System Accountability and Compliance and Retirement Services.

While Federal agencies and OIGs have separately defined roles, both play a critical role in Government oversight. Agency officials are required to continually evaluate and improve their own performance and internal controls to ensure effectiveness in carrying out their mission and safeguarding the integrity of their programs.[7] OIGs play a key role in Federal agency oversight by enhancing Government accountability and protecting the Government's resources by

[6]Both Medicare and TRICARE have independent and dedicated program integrity units/offices, which deploy comprehensive, self-directed program integrity strategies that enhance oversight initiatives, fraud, waste, and abuse detection, prevention, and trend analysis. OFF. OF PERSONNEL MGMT. OFF. OF THE INSPECTOR GEN., TOP MANAGEMENT CHALLENGES, FISCAL YEAR 2022, 7, (2022).

[7]OFF. OF MGMT. & BUDGET, EXEC. OFF. OF THE PRESIDENT, OMB CIRCULAR NO. A-123, MANAGEMENT'S RESPONSIBILITY FOR ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROL (2016).

conducting audits, investigations, evaluations, and special reviews *independently from their agencies*.[8] Across the Federal Government, this multi-faceted framework allows for effective and efficient Government operations.

Under the IG Act, the role of Federal IGs is to prevent and detect waste, fraud, and abuse relating to their agencies' programs and operations, and to promote economy, efficiency, and effectiveness in the agencies' operations and programs.[9] Agency officials are responsible for working toward the same objective as OIGs: detecting and combating waste, fraud, and abuse, in their own programs.[10] Specifically, program management is tasked with an important responsibility to identify challenges early, to bring any such challenges to the attention of agency leadership, and to develop solutions.[11]

Reducing improper payments from the FEHBP relies on early detection of fraud schemes through strong data sharing between the FEHBP health insurance carriers, OPM, and the OPM OIG. But this pay-and-chase model of combating health care fraud can be further improved and bolstered through preventive measures. OPM and the FEHBP health insurance carriers have shown some success in this area, for example, through efforts to reduce harm from opioids and drugs of abuse by identifying potentially harmful behavior.

Checks and safeguards (e.g., pharmaceutical claims edits) that worked for opioid prescribing have potentially applicable lessons for preventing other health care fraud schemes; however, because the FEHBP is a competitive marketplace for its health insurance carriers, information sharing between health insurance carriers has not always been successful or forthcoming without great efforts. The OPM OIG has had some success with the FEHBP proactive working group and through partnerships with organizations such as the National Health Care Anti-Fraud Association; however, an OPM program integrity function centered on the FEHBP could make for a more cooperative and coordinated environment to prevent and detect improper payments.

Per information provided by the agency, OPM is working to develop and finalize a statistically valid sampling and estimation methodology plan (S&EMP) for FEHBP health carriers per OMB Circular A-123 Appendix C—*Requirements for Payment Integrity Improvement*. The S&EMP's potential to improve understanding of root causes of improper payments is potentially a significant action. Based on the results of the S&EMP, OPM will be able to develop stronger program-wide corrective actions related to improper payments. We look forward to the implementation of the S&EMP and working with OPM based on its information to further reduce improper payments and improve program integrity.

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[8] 5 U.S.C. § 402 (emphasis added).
[9] *Id.*
[10] *E.g.*, Off. of Mgmt. & Budget, Exec. Off. of the President, Promoting Accountability through Cooperation among Agencies and Inspectors General, No. M-22-04, 1 (2021).
[11] Off. of Mgmt. & Budget, Exec. Off. of the President, *supra* note 5, at i.

We have encouraged OPM to increase its program integrity activities. The agency and its program office have program-wide visibility regarding the actions of the FEHBP health insurance carriers. Additional program integrity activities or a program integrity unit to increase oversight of improper payments in the FEHBP remains an area the OPM OIG believes would benefit the agency and its programs.

Retirement Programs: Federal Employees Retirement and Civil Service Retirement Systems

According to OPM, its retirement programs improper payments totaled $325.81 million in FY 2022, which is an improper payment rate of 0.37 percent.

Reducing improper payments related to OPM's retirement programs is intrinsically related to modernizing OPM's retirement systems, which is identified in the Retirement Services section of this report as a major challenge for OPM. The OPM OIG has continued to encourage OPM to include performing root cause analysis and other important payment integrity functions along with its modernization efforts.

Stronger program integrity functions and root cause analysis of improper payments are areas where OPM, concurrently with its modernization efforts, can better prevent improper payments. Proactively managing the annuity roll is a control that OPM could implement to prevent improper payments. While the Retirement Services program office already performs surveys and data matches, it should also develop *ad hoc* reports of payments at increased risk of being paid improperly and conduct reviews to determine continued eligibility for the payment recipients. In addition, sampling of responses to OPM's program integrity activities as part of a validation procedure may increase the reliability of program integrity efforts. The relatively recent (October 2021) rule changes regarding representative payees were important actions for protecting individuals receiving annuities from OPM's Federal retirement programs. Since the rule's finalization, the OPM OIG has had more interactions with institutions serving as representative payees, including in cases where the OPM OIG and the Retirement Services program office have been able to work together to have annuities restored. This has been a positive change, and the OPM OIG looks forward to continuing to work with OPM on these types of cases.

The Retirement Services program office's Fraud Branch has recently been performing additional activities related to misdirected annuity payments and reviews of error reports of annuity roll activity. The referrals based on that unit's program integrity functions are important for the OIG's pursuit of investigative remedies, when available, and for providing oversight of the program. However, the OIG still receives fewer than expected referrals from the Fraud Branch. In the last 5 years, the OIG has received 158 fraud referrals from the Retirement Services program office, including 19 referrals this fiscal year through July 18. The number of referrals has declined from a high of 55 referrals in FY 2021 to 27 referrals in FY 2022.

The Retirement Eligibility and Services unit performs data matches and surveys of the annuity roll as part of its program integrity activities; however, these activities are performed by a very small staff. Of the data matches and surveys performed, the retirement referrals to the OIG are most often related to OPM's match with Social Security Administration death data. The OIG has received few to no fraud referrals resulting from Retirement Services' surveys of the annuity roll population. The Retirement Services program office's program integrity activities produce fewer referrals than expected (an average of just 32 per year) for a program that annually pays $88 billion in annuity payments and, according to OPM, $325 million annually in improper payments. More transparency on the actions of the Fraud Branch would improve the ability of the OIG and the Fraud Branch to work together to identify and reduce improper payments. We look forward to exploring ways that our collaborative efforts can increase proactive identification of improper payments, the number of referrals and overall better protect the OPM retirement trust funds and the beneficiaries they serve.

Retirement Services

OPM is responsible for the administration of the Civil Service Retirement System and the Federal Employees Retirement System, serving nearly 2.8 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. OPM's goal is to increase the customer satisfaction index score for targeted services to 4.3 out of 5.0 and improve the customer satisfaction score to 4.2 out of 5.0. For FY 2022, OPM's Annual Performance Report reported an overall satisfaction score of 3.74 for Retirement Services.

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 retirement programs. In FY 2022, OPM paid more than $87 billion in defined benefits to retirees, survivors, representative payees, and eligible family members. 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 case backlog remains above OPM's 13,000 claim steady state inventory goal. Over the years, Congressional hearings have been held to address challenges in the retirement system, including the claims backlog. In addition, April and July 2023 letters from Congressional lawmakers, sent to OPM's Director, expressed concerns in delays with processing and delivering Federal retirement benefits to Federal employees. 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 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 as of September 30, 2022, was 92 days. While OPM has since made some progress in lowering the monthly average to 74 days as of August 2023, the retirement claims backlog remains high with an inventory of 17,963 as of August 2023; a level significantly higher than OPM's 13,000 claim steady state inventory goal.

Coordinating retirement benefits between OPM and other Federal agencies for disability benefits and workers' compensation has remained a problem area for the retirement program. During FY 2020, our office conducted a performance audit of OPM's Retirement Services disability process to determine if OPM's Retirement Services and Support, Claims I, and Appeals groups were (1) following laws, regulations, policies, and procedures, (2) ensuring that management was providing oversight reviews, and (3) had controls in place to ensure that staff were trained to perform their duties. Based on our audit,[12] 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, OPM's 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, issued in October 2020, remain open pending implementation of corrective actions.

Although Retirement Services' monthly average case processing time goals were not met, OPM needs to continue to work toward enhancing the Retirement Services customer experience, which includes performance measures related to the average number of days to process retirement cases. Obtaining the necessary resources and technology are critical in OPM's ability to ensure that the needs of its customers and stakeholders are met, and that retirees and their families are not waiting months to receive retirement benefits needed to financially support themselves and their families.

Retirement Services' Customer Service

Recently, members of Congress sent letters to OPM Director Ahuja over concerns with delays affecting Federal retirees[13]. The difficulties and frustration that OPM annuitants sometimes experience with long processing times can be matched with frustrations regarding OPM's customer service when it comes to addressing these retirement issues.

The OIG Complaint Hotline has received a 76 percent increase in Retirement Services related complaints from FY 2022 to FY 2023 (through July 6). In addition, for FY 2023 (through July 6) Retirement-Services-related complaints make up nearly half of all complaints received and most concern serious customer service deficiencies ranging from the inability to contact anyone through the Retirement Services customer service line to much longer delays in processing benefit payments. Because many of these issues are outside of the OIG's authority, we often can only refer individuals back to the Retirement Services program office. We require a response from Retirement Services within 30 days of referral letting us know how the complaint was addressed; however, a good number of complaints are not timely resolved within the 30-day timeframe.

Per conversations between the OIG and the Retirement Services program office, Retirement Services has stated that one of the major challenges to providing Federal retired annuitants, survivor annuitants, and other OPM retirement customers with better customer service comes

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[12] *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.
[13] www.durbin.senate.gov/imo/media/doc/Letter%20to%20OPM%20regarding%20delays%20with%20processing%20retirement%20benefits%20FINAL.pdf

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down to a lack of staffing. Simply, there are too many calls with too few staff to answer and respond to those calls. OPM data shared with the OIG showed that for the 9-month period of October 2021 to June 2022, the agency received an average of approximately 26,000 calls a month but only managed to answer approximately 3,000 and had total customer contacts of about 5,700 per month. Future efforts to plan and staff the Retirement Services program office's customer service experts may require more funding or appropriations from Congress, as well as overall stakeholder support to improve results.

There have been recent initiatives that the OIG hopes bode well for future improvements to customer service functions. This includes OPM releasing the OPM Retirement Quick Guide, a three-page guide to voluntary retirement for Federal employees, in May 2023. Also, among the newest is the deployment of OPM's Retirement Services chatbot. While the application's knowledge base is currently narrow, the potential customer service benefits from it will hopefully reduce the ongoing customer service issues. It will be essential for OPM to expand the chatbot's abilities in a way that lessens the customer service burden and helps annuitants and Federal employees. The OPM OIG looks forward to communicating with OPM more about the advantages and lessons learned.

The OPM OIG has suggested in previous Top Management Challenges reports that a return of an OPM ombudsman office has the potential to be another positive step for addressing customer service issues. Particularly, the most complex or difficult issues, or issues that do not reach satisfactory resolution from within the Retirement Services program office, might benefit from the advocacy that an ombudsman role can provide. In communications with OPM, the status of hiring for or creating an ombudsman office has remained unclear in both timeline and progress. We continue to recommend the prior position be filled soon.

OPM's efforts to improve the overall experience for Federal retirees is an ongoing challenge. The effectiveness of these initiatives and the benefits it brings to Federal retirees and annuitants' experience with the Federal retirement process will be something for the agency, the OPM OIG, and all stakeholders to observe in the future to ensure the changes are improving customer service for those that have served this county for many decades as civil servants.

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, the Office of the Chief Information Officer (OCIO) and Retirement Services have worked together to improve call center operations by simplifying the Services Online website and improving collaboration. This has resulted in reduced call volume for routine inquiries and requests to reset account passwords. OPM's 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. This year, as described in the previous section, a chatbot feature was added to the OPM website to help resolve simple inquiries and continue to reduce call volume.

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 and an enhanced Online Retirement Application system are being developed. As discussed elsewhere, modernizing the retirement process will have an impact on OPM's ability to provide better customer support to annuitants. However, even after making these improvements customer service continues to be hampered by limited staffing to serve customers in Retirement Services. It remains to be seen whether OPM can secure the necessary resources and the OCIO and Retirement Services can work together toward a long-term solution that is in the best interest of Federal annuitants and their eligible family members.

2. Information Technology

Modernization and Transformation

Since the OPM data breaches in 2015, when the personal information of more than 20 million people was compromised, OPM's Information Technology (IT) security and operations continue to be a focus of attention for the agency. While OPM has made significant progress toward improving and modernizing its technology environment and its organizational structure, challenges remain. A primary focus of OPM's OCIO is its 'Sprint to the Cloud Initiative.' However, OPM's IT program continues to be hampered by inadequate funding and resources.

OPM's Chief Information Officer's (CIO) vision for IT modernization is focused on developing a mature, stable, and consistently-implemented IT program on par with industry best practices. The current CIO's relatively long tenure compared to recent predecessors has ushered in an era of stability in the agency's IT program, with a focus on recruiting an experienced and professional IT workforce, promoting enterprise solutions, and securing the necessary funding. The OCIO senior leadership team is now in place with a focus this past year on filling vacant staff-level positions and developing succession plans. The emphasis is to build an organization that transcends turnover and further supports the CIO's long-term vision for IT modernization. The CIO is also working on a proposed reorganization that would realize economies of scale by aligning resources with capabilities rather than funding sources.

From a technology perspective, the OCIO's current priority is moving its legacy mainframe systems to the cloud by 2025 provided that funds are available. The current mainframes are at the end of their lifecycle, and it is estimated that it would cost $8 to $10 million to replace them. The OCIO completed a study to replace its physical mainframes with cloud-based mainframe emulators. Part of the project would also involve replacing its legacy Common Business Oriented Language-based mainframe code with modern languages such as Java. The OCIO's study showed that it could move to the cloud and replace legacy code for the same or lower cost of replacing its hardware systems. The benefits of such a move would be that OPM would be out of the hardware business, could close its Macon, Georgia, or its Boyers, Pennsylvania, data centers, reduce the risk of dependence on legacy systems, and rely on cloud vendors to keep systems updated with the most current security settings.

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 continued to develop its Zero Trust security program and has adopted cloud-based cybersecurity tools that use machine learning and artificial intelligence to improve the agency's overall cybersecurity program. To further improve security, the OCIO has continued 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 migrating capabilities to the Defense Counterintelligence and Security Agency, OPM's former background investigations program, the legacy systems will continue to distract OPM from its own goals for at least two more years.

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 will explore all funding options for its cloud mainframe initiative, including Technology Modernization Fund funding. While these steps will help OPM, dedicated funding for IT modernization is needed to ensure that OPM reaches its IT modernization goals.

Open Audit and Evaluation Recommendations

An important and related challenge for the agency is to take corrective action regarding open, unresolved audit and evaluation recommendations. In our latest Semi-Annual Report to Congress,[14] we included, as required, a compendium of OPM's open recommendations. In this document, we identified a total of 255 IT-related recommendations (including 118 unique[15] recommendations) that have been open for over six months. Several of these recommendations have been outstanding for at least 15 years.

There are currently 15 categories of open IT-related recommendations. The top five categories are IT internal controls; configuration management; contingency planning; security assessment and authorization; and risk assessment. These five categories account for 79 of the 118 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 CIO 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 CIO's sentiments and actions taken 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. Governmentwide Challenge

Strategic Human Capital Management

GAO separates Strategic Human Capital Management into five criteria: Leadership Commitment, Capacity, Action Plan, Monitoring, and Demonstrated Progress. GAO reported in its April 2023 report, *HIGH-RISK SERIES: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, that since 2001, strategic human capital management has been on the high-risk list of Governmentwide challenges requiring focused attention. In that report, GAO stated that it has made many recommendations to OPM focused on this high-risk area and related human capital issues.

GAO's report further stated that continuing efforts of Federal agencies and OPM are needed to adequately address skills gaps within the Federal workforce. Governmentwide skills gaps have

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[14] The OPM OIG's Semiannual Report to Congress October 1, 2022 – March 31, 2023, issued June 1, 2023.
[15] In some cases, recommendations are reissued when it is determined that the original condition persists. A 'unique' recommendation is the first instance of the recommendation. Additional recommendations are referred to as 'roll-forward' recommendations.

been identified in fields such as human resources, science, technology, engineering, mathematics, cybersecurity, and acquisitions. OPM is responsible for assisting agencies in addressing skills gaps within their workforces. In its 2023 report, *Priority Open Recommendations: Office of Personnel Management*, GAO identified mission critical skills gaps as a priority open recommendation and stated that mission critical skills gaps were a factor in 22 of 36 high-risk areas.

According to GAO's report, as of February 2023, 28 open recommendations relate to OPM and skills gaps issues. Since the April 2023 report, OPM reported that there are 74 total open recommendations from GAO, including 28 that relate to strategic human capital. GAO suggested that additional progress could be made if these open recommendations were implemented.

In our FY 2022 OPM Top Management Challenges report, we reported that OPM made progress in closing skills gaps by closing all OPM Priority Recommendations from GAO's report, GAO-15-223, *OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills*, which closed the engagement. OPM addressed one of the identified causes of skills gaps through the filling of leadership roles including the Senate's confirmation of Director Kiran A. Ahuja. In addition, OPM resumed stewardship of the Chief Human Capital Officers Council to help connect OPM's Governmentwide human policy efforts with agencies' human capital leaders. As a result of OPM's efforts, we did not report on skills gaps in our FY 2023 OPM Top Management Challenges report. However, GAO's February 2023 report, *FEDERAL WORKFORCE: OPM Advances Efforts to Close Governmentwide Skills Gaps but Needs a Plan to Improve Its Own Capacity*, reported that during a GAO-hosted forum, Federal human capital officers called recruiting and hiring, and workforce planning, their agencies' top challenges for closing skills gaps. In addition, forum participants said that OPM could help them close skills gaps by providing additional workplace flexibilities and streamlining regulations and guidance to reduce administrative burden. According to the report, since 2011, OPM has led efforts to close Governmentwide skills gaps which include working on the President's Management Agenda, improving collaboration with the Council, and identifying strategies for closing the gaps in its strategic plan.

However, in March 2022, an independent workforce assessment found that OPM had its own skills gaps in project management, organizational performance, leadership development, and data analytics. According to the assessment and GAO's analysis, this could compromise OPM's ability to implement its strategic objectives related to closing Governmentwide skills gaps.

In the FY 2022 Agency Financial Report, OPM responded to the OIG Top Management Challenges Report by asserting that in October 2022, it issued a closeout report on the work that had been accomplished over the last four years, which highlights some of the successes that agencies have had when following the OPM methodology. In addition, OPM made closing skills gaps a priority metric to monitor progress on closing hiring and staffing targets and has worked closely with agencies on specific hiring needs to close critical gaps.

The FY 2020 National Defense Authorization Act directed the OPM Director to contract with the National Academy of Public Administration (NAPA) to conduct an independent study to assess OPM's statutory and non-statutory functions, identify associated challenges, and recommend a course of action to address the challenges including any statutory or regulatory changes needed to implement the recommendations. NAPA issued its report, *Elevating Human Capital: Reframing the U.S. Office of Personnel Management's Leadership Imperative* in March 2021. 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. Of the 23 recommendations, 16 were to OPM and 7 were to Congress. All 16 OPM recommendations are open.

In May 2023, OPM filled its agency Chief Learning Officer position, which was an essential first step in addressing internal skills gaps. In addition, OPM asserted that in FY 2023, OPM's Human Resources and the OCIO began collaborating to implement the Cyber Workforce Rotational Program in FY 2024 and will launch a new electronic Individual Development Plan feature within its learning management system. OPM further asserted that Human Resources will collaborate with organizational stakeholders to develop a formal plan to address skills gaps internally in FY 2024.

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

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) 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 13, 2023

Memorandum For Krista A. Boyd
Inspector General

From: Kiran A. Ahuja
Director

Subject: Agency Comments on the OIG Report – "The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2024," dated October 11, 2023

Thank you for your Fiscal Year (FY) 2024 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, and changing 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.

Challenge 1: Financial Integrity of the OPM Administered Trust Funds

The FEHB Program is the largest employer-sponsored group health insurance program in the world, covering approximately 8.2 million people including employees, annuitants, and their eligible family members, as well as some former spouses and former employees. The FEHB Program offers fee-for-service plans, Health Maintenance Organizations (HMOs), and plans offering a Point of Service (POS) product. We understand the importance of providing strong employee benefits to retain and recruit federal employees and are proud to administer this program to current and former civil servants and family members.

OPM, federal agencies, and health insurance carriers all play a significant role in implementing the FEHBP. We are continually working to improve the Program, including by keeping abreast of advances in medicine and health care delivery and by

www.opm.gov Empowering Excellence in Government through Great People www.usajobs.gov offering benefits that help us compete with other large employers. We do this while focusing on improving value, promoting quality and affordability, and maintaining Program stability.

Prescription Drug Benefits and Costs. OPM has a long-term, multi-pronged strategy to manage prescription drug costs while maintaining overall Program value and effectiveness. The key elements of this strategy include:

ongoing guidance to Carriers on prudent management of the drug benefit;

flow down transparency standards for Carriers to apply to contracts with pharmacy benefit managers (PBM);

requirements that FEHB plans provide member-facing tools that display drug formulary pricing in a clear and accessible manner; and,

much closer integration of the pharmacy benefit with Medicare through widespread adoption of Employer Group Waiver Plans (EGWPs), which will have a transformative effect on the integration of the FEHB and Medicare drug benefit.

OPM continues to provide detailed guidance on pharmacy benefits in Carrier Letters (e.g., Carrier Letters 2022-03 and 2023-02). 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 is consolidated in a regularly updated Carrier Letter to keep Carriers informed of any pertinent updates and improve compliance. The most recent Pharmacy Benefits Consolidated Carrier Letter was issued in February 2023, Carrier Letter 2023-03.

The FEHB Program has flow-down 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. OPM continuously reviews and updates the PBM transparency standards in its Carrier contracts to reflect ongoing changes in the pharmacy benefit landscape. Since 2016, OPM has required FEHB Carriers to provide effective and up-to-date drug cost calculators and transparency tools to benefit members and help control costs. Most recently, in Carrier Letter 2023-03, OPM required FEHB Carriers to maintain updated formularies that are online and easily accessible to members. FEHB Carriers are also required to employ drug cost calculators that are accurate, intuitive, easy to navigate, and member friendly. The calculators must display pricing information, utilization management edits (e.g., prior authorizations and step therapies), pricing for brand and generic alternatives, listings of formulary alternatives, and pricing across pharmacy networks.

In addition, Carrier Letter 2023-02 encourages FEHB Carriers to provide benefits that maximize value to enrolled individuals under FEHB and Medicare by offering

Employer Group Waiver Plans (EGWPs), including prescription drug plan (PDP) EGWPs, to their eligible FEHB Program members. In 2024, 45 FEHB plans will offer 69 plan options that include Medicare EGWPs, resulting in the majority of Medicare-eligible FEHB enrollees being able to take advantage of the drug savings introduced by the Inflation Reduction Act.

OPM frequently engages with renowned experts on various subjects, including a PBM auditing expert who addressed FEHB Carriers at the recent 2023 FEHB Carrier Conference and highlighted the importance of monitoring and auditing PBM contracts.

OPM acknowledges the recommendation by the OIG in its FEHBP Prescription Drug Benefit Costs Management Advisory Report to OPM's Director on February 27, 2020, to conduct an updated, comprehensive prescription drug study. We support the concept of a study and are pursuing the means to accomplish it.

However, we do take exception to the OIG's assertion that FEHB drug costs as a proportion of overall medical spending are out of line with industry norms. The fundamental concerns with comparing FEHB drug costs with other employer-based plans are two-fold: 1) FEHB covers employees and retirees, whereas most employer-based plans no longer cover retirees; and 2) OPM's contracted carriers have historically not integrated with Medicare prescription drug coverage in the way that almost all employer-based plans that cover their retirees have done. As indicated above, based on recent OPM policy guidance, this is changing: the majority of FEHB plans will adopt Medicare EGWPs.

FEHB Program Enrollment and Eligibility. The disaggregated nature of FEHB eligibility determination and enrollment processes, where each employing office is responsible for an employee's FEHB status, currently limits OPM's insight into enrollment issues. OPM is addressing this structural impediment – a holdover from the inception of the program in the 1950s prior to modern information systems – in the short term by providing guidance and training to agencies and health insurance carriers on enrollment processes and developing tools that improve OPM's oversight capabilities. However, the long-term solution likely lies in the development of a centralized FEHB enrollment system of the type that OPM is developing for the Postal Service Health Benefit Program, which will be available for the 2024 Open Season.

OPM, federal agencies, and health insurance carriers each have significant responsibilities in administering the FEHB program. Since the inception of the FEHB program, each agency has had delegated authority to determine eligibility for its employees and to enroll its employees and family members, which was historically an appropriate approach given that each employing agency is responsible for maintaining every employee's official personnel record, including their enrollment in benefit programs. FEHB Carriers also interact directly with enrollees on enrollment-related questions.

OPM has taken multiple actions to strengthen controls preventing the coverage of ineligible family members by monitoring, to the extent possible, employing agency and Carrier actions. OPM has provided significant support and training to Federal agencies and Carriers to ensure consistent and comprehensive implementation of guidance on preventing ineligible individuals from being added as family members to an FEHB enrollment through a requirement to review eligibility documentation in Carrier Letter 2021-06 and Benefits Administration Letter (BAL) 21-202, as well as guidance on identifying and removing ineligibles currently on the rolls as family members in Carrier Letter 2020-16 and BAL 20-203.

OPM has engaged and continues to engage agencies and Carriers to ensure ineligible family members are not enrolled by leveraging existing working groups, training opportunities, and knowledgeable internal staff. This includes ongoing operation of an Integrated Project Team (IPT), consisting of experts from across OPM, to consider potential updates to guidance and monitoring activities, and to execute those identified activities. The IPT is working to increase education of enrollees related to eligibility requirements and to utilize the Master Enrollment Index (MEI) to identify potential ineligible family members for further investigation. To improve enrollee knowledge of eligibility requirements, OPM issued BAL 23-203 on August 21, 2023, requiring agencies to annually provide information related to family member eligibility requirements to employees.

The OIG notes that a gap exists in verifying family member eligibility during Open Season when agencies must timely process a large volume of Open Season transactions. OPM recognizes the potential for ineligible persons to be enrolled during this time. OPM's guidance issued in Carrier Letter 2020-16 and BAL 20-203 provides a mechanism for agencies and Carriers to identify and remove ineligibles that may have been added to enrollments as family members, including during Open Season. OPM plans to issue new guidance relating to oversight during Open Season by the close of Fiscal Year (FY) 2024.

The OIG indicates that OPM is unable to identify or estimate the number of ineligible family members receiving benefits or the total costs of improper payments to the FEHB Program. OPM has historically not had access to enough quality information on FEHB enrollments to reasonably estimate possible ineligible persons covered as family members in FEHB. OPM has been working to create an authoritative list of all FEHB enrolled members. OPM expects to leverage its Master Enrollment Index (MEI) to conduct preliminary analyses to understand issues around member eligibility. As first steps with this data, OPM has identified several queries to serve as a foundation for member eligibility analyses. OPM will be using the results of these analyses to work with agencies, as appropriate, to develop corrective actions to remove ineligible persons and prevent enrollment of ineligible persons.

The OIG states, "By OPM's own estimate, the cost of ineligible family members to the FEHBP is up to $1 billion annually." The GAO Report[1] that OIG cites quotes the same approximate figure. This "estimate" was a rough extrapolation from statistics on non-federal programs and was not based on sampling from the FEHB Program itself. This amount should not be represented as a statement of fact.

OPM has long recognized that current health benefits eligibility and enrollment processes have opportunities for automation and centralization. As OPM works to implement the Postal Service Health Benefits Program (PSHBP), a centralized enrollment system is a key feature. As OPM designs and builds the PSHBP System, OPM will continue to consider how such a centralized system could potentially be expanded to the entire FEHB Program, recognizing the potential benefits of a centralized enrollment process in helping to prevent the enrollment of ineligible persons.

The Effects of the Opioid and Drug Abuse Epidemic on the FEHB Program. OPM has offered guidance, both formal and informal, regarding opioids since 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. OPM also participates in the Interdepartmental Substance Use Disorders Coordinating Committee, which was established in May 2019 by the U.S. Department of Health and Human Services pursuant to Section 7022 of the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act. In March 2023, we communicated with all FEHB Carriers to direct attention to new clinical practice guidelines developed by the Centers for Disease Control and Prevention (CDC). We continue to promote access to Medication Assisted Treatment (MAT) with buprenorphine, naltrexone, or methadone-based regimens. In addition, we communicated to FEHB Carriers through Carrier Letters 2023-06, 2023-04, 2023-03, 2022-03, 2022-02, 2021-03, 2020-01, 2019-01, 2018-01, and 2017-01 on various opioid-related topics such as 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

[1] Federal Employees Health Benefits Program: Additional Monitoring Mechanisms and Fraud Risk Assessment Needed to Better Ensure Member Eligibility, GAO-23-105222, published December 9, 2022, and publicly released January 9, 2023.

prescribing, opioid safety monitoring programs, and access to evidence-based substance use disorder treatments.

As noted earlier, OPM annually publishes Consolidated Pharmacy Guidance, which encourages Carriers, when supported by clinical evidence and safety standards, to have quantity limits and prior approval on opioid medications, along with safety edits for initial opioid prescription fills and high morphine milligram equivalent doses. FEHB Carriers cover medication-assisted treatment (MAT) for the treatment of opioid use disorder and make naloxone, an opioid reversal agent, available at no cost or with 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 fraud, waste and abuse (FWA) detection processes in place to proactively identify and mitigate risks related to FWA.

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 – Carrier Letter 2022-13. 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 being ahead of the curve on instituting guidance and comprehensive multi-pronged approach to the opioid epidemic has helped ensure FEHB Carriers have robust programs in place to prevent and treat opioid use disorder. OPM continues to monitor FEHB Carrier opioid programs and opioid utilization to ensure the prevention of opioid misuse, effective pain management, treatment of opioid use disorder, and supportive recovery programs within the FEHB Program.

The OIG encourages OPM to require "…carriers to increase opioid and substance abuse-related data provided to the agency and the OPM OIG, particularly related to the carrier-required access to programs that identify members at risk of substance abuse disorders and provider outreach or education that is targeted at outlying opioid prescribers." We will continue to encourage carriers to focus provider and member education efforts on the risks involved in opioid and substance use disorders. We also are considering ways to expand data collection in this area to assist with our oversight efforts.

Health Benefits Carriers' Fraud and Abuse Programs. Per Section 1.9 in the FEHB standard contracts as well as in Carrier Letter 2022-02, which was developed in collaboration with OIG, OPM requires FEHB Carriers to have robust FWA programs and to report potential FWA issues to OIG.

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. Beyond efforts mentioned above, we also implemented new contract language beginning in 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.

As discussed in the prior section on enrollment and eligibility, OPM has taken multiple actions to strengthen controls preventing the coverage of ineligible family members and also expects the MEI will be an important tool to address FWA in FEHB. Accurate enrollment is one component of an effective anti-FWA program, and OPM believes that a complete MEI will permit us to develop an accurate and complete baseline of enrollments.

Postal Service Reform Act of 2022. OPM has diligently been working to implement the PSHBP pursuant to the Postal Service Reform Act of 2022. While OPM has made significant progress in establishing the PSHBP, the two-year timeline afforded by the PSRA presents challenges considering the complexity of the task. Importantly, to be fully successful in implementing this program, OPM will require sustained funding to administer and maintain the program.

The OIG outlines a number of tasks OPM will need to complete to launch the PSHBP by January 1, 2025. The Carrier Connect program referenced by the OIG as needing continued development launched in late June 2023.

Identifying and Reducing the Flow of Improper Payments

The FEHB Program. As noted above, OPM remains committed to effective oversight and administration of the FEHB Program, and strengthening controls surrounding FEHB Carriers' FWA programs remains a priority. 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, they also have an inherent incentive to eliminate improper payments.

OIG acknowledges that centralized claims and enrollment repositories are needed to fully address this challenge. OPM has made significant improvements in addressing these challenges. We have started this process with the centralized eligibility determination and enrollment process that is part of PSHBP and will continue to consider how the infrastructure developed for the Postal program can be leveraged for the FEHB as a whole. However, building out this capability from 1.7 million covered lives to 8.2 million will require an increase in funding.

We take safeguarding the integrity of OPM's programs very seriously and while we do not have a Program Integrity function as a separate organization, OPM conducts many program integrity activities such as, but not limited to requiring agencies to verify family member eligibility for new enrollees and those experiencing a qualifying life event, requiring carriers to verify documentation for new family members added to an existing enrollment, and leveraging the IPT to use the MEI to identify potential ineligible family members.

OPM's current Office of Management and Budget (OMB) approved Improper Payment (IP) methodology was jointly developed by OIG, HI, and CFO. It leverages OIG Carrier-specific audits of the FEHB Program and includes fraud investigative recoveries from OIG, FEHB Carriers and Department of Justice (DOJ) efforts.

The Payment Integrity Information Act of 2019 (PIIA) governs improper payments, with the purpose to identify, report, and reduce improper payments in the government's programs and activities. In March 2021, OMB updated its Circular A-123, Appendix C requiring agencies to assess all programs and activities with annual outlays greater than $10M and identify those that are susceptible to significant improper payments. OMB requires working with a procured vendor to finalize a sampling and estimation methodology plan for the FEHB Program. In our improvement efforts to identify and reduce government-wide improper payments to increase payment integrity, OPM submitted a statistically valid Sampling and Estimation Methodology Plan (S&EMP) for FEHB experience-rated Carriers to OMB that meets the requirements of OMB Circular A-123 Appendix C – Requirements for Payment Integrity Improvement. OPM continues to develop and finalize the S&EMP for community-rated Carriers.

OPM 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. OPM will continue to work with OIG to address the recommendations OPM concurs with, while communicating the reasons behind those OPM does not.

Retirement Programs: Federal Employees Retirement and Civil Service Retirement Systems

The OIG states that retirement programs improper payments totaled $325.81 million in FY 2022. OPM notes that improper payments also include underpayments. Since fraud cases would only attribute to overpayments, this section should distinguish between the overpayment amount of $244.68 million and the underpayment amount of $81.13 million.

In FY22, OPM Retirement Services (RS) paid $87,898.92 million in annuity payments, of which $244.68 million were overpayments and $81.13 million were underpayments, resulting in a 0.37% improper payment rate. In FY23, RS paid $95,301.58 million in annuity payments and $337.55 million in improper payments, of which $224.33 million were overpayments and $113.22 million were underpayments, resulting in an improper payment rate of 0.35% for FY23.

In 2019, RS established a Fraud Branch to further identify and prevent improper payments. The RS Fraud Branch researches all types of fraud reported to Retirement Services through (1) Mail; (2) Phone; (3) Congressional; (4) Escalations; (5) Office of Inspector General; and (6) Other OPM Sections and Offices. The Fraud Branch does so proactively by recognizing patterns of fraud and investigating fraud through the use of investigative and system tools. The Fraud Branch responds to potential fraud inquiries and data integrity breaches 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 safeguarding of the annuity roll is the primary concern of the data integrity team through monitoring error reports and extracting data from the annuity to confirm accuracy. The Fraud Branch seeks prosecution of individuals, as warranted, through the Office of Inspector General and the Department of Justice. Of the over 1,900 fraud inquiries investigated, 91 were OPM-related fraud cases. RS referred approximately 40 to the Inspector General, which falls within the $30,000 threshold established by the Inspector General. The RS Fraud Branch thoroughly investigated the remaining 51 cases. Referrals from the Program are not limited to surveys and computer matches. RS plans to submit proposed revisions to the OIG referral memo in order to update and clarify roles and responsibilities now that RS has established a Fraud Branch. The proposed revisions will broaden Fraud Branch's responsibilities to identify, refer, and prevent fraud, including cases involving deceased annuitants.

To strengthen the identification and prevention of fraud, RS is improving its surveys through streamlining the process. The Disability Earnings Survey has already moved to an electronic submission through Services Online, eliminating the need for paper and streamlining the process to identify disability annuitants that have returned to work. RS is also modernizing other surveys that are conducted, beginning with the Representative Payee survey. As a result of the Representative Payee Fraud Prevention Act of 2019, RS published updated regulations for the Representative Payee program. In FY 2023, RS updated the application and the survey form to better capture information from the Representative Payee applicants. Also in FY 2023, a contract was awarded to continue the work that started in FY 2022 on the Representative Payee Database, that will automate the Representative Payee application and survey, automate notices, provide management information and other reports, and track decisions and collection of misused benefits for Representative Payees that have been found to misuse monies paid to them on behalf of the annuitant they are representing. This database will serve as the platform for the modernization of all of RS' surveys.

Retirement Services

Retirement Claims Processing Backlog

RS acknowledges that the claims inventory remains above 13,000. We also note that the annual average inventory levels at the end of September 2023 are 32% below inventory levels at the end of September 2022. As of the end of the 2023 fiscal year, inventory levels are at their lowest level since 2017. The retirement claims inventory has fallen in 6 of the last 9 months. Case processing times for the month of September averaged 70 days, a 3-week improvement from the month of January 2023. FY23 YTD average case processing time currently stands at 77 days. This is a decline of 13% from the same period in FY22.

RS continues to build its capacity to process retirement packages accurately and efficiently. One area of focus is on the agencies with whom OPM partners in the retirement application process. RS has taken actions to assist and work closely with agencies to reduce common errors on retirement applications and identify issues as they arise. We conduct an annual training for Agency Benefits Officers and other HR professions as well as a holding quarterly Agency Benefits Officers meeting to identify Retirement Application Process and trending errors. In FY2023 over 2,600 HR professionals across 80 different Federal agencies completed training on retirement application process and coverage determinations, life insurance, and court order benefits. During the Quarterly Agency Benefits Officers meetings, specific issues are identified and discussed including inaccurate service dates, FICA earnings or pay rates, and spousal consent. In addition to these targeted discussions, new and revised publications are routinely shared. Throughout engagement with other agencies, specific top errors have been addressed and questions received from Agencies are addressed on a continuous basis.

Retirement Services' Customer Service

OPM recognizes the importance of supporting RS customers and as such, continues to prioritize improving customer experience. For example, RS has increased its call center staff throughout FY 2023, with 146 out of 150 positions filled as of the end of October.

RS has also collaborated closely with agencies to prepare for and support the annual surge in retirement applications that typically occur in the winter months. RS is applying lessons learned from past surge periods to improve processes for this year's surge season.

RS continues to review processes to identify opportunities for improvement, such as modifying filing systems to improve staff's ability to access documents and identify cases ready for processing. RS also utilizes "Tiger Teams" to focus on processing complete retirement claims quickly while also devoting staff to address the more complex aged cases (cases that are more than 60 days old).

RS continues to work closely with OPM's Chief Information Officer (OCIO) and Communications teams to improve customer self-service, including investments in new tools and features. This includes 24/7 access to frequently asked questions and support via OPM.gov and a newly launched chatbot to support survivor claims.

OPM has also developed a new Retirement Quick Guide, retirement booklets, and how-to videos, which are posted on the OPM website.

RS plans to pursue building on these improvements to communications channels such as telephone, web, chat, email, and text. RS also plans to deploy a suite of cloud-based systems that will greatly increase future scalability. These improvements will increase the agility of RS as an organization and improve efficiency and operations as RS continues to work towards improving customer service and reducing case processing times but are also dependent on OPM receiving sustained funding to support these efforts.

Retirement Services Call Center Issue and Status

Modernization of the retirement process is already having a positive impact on OPM's ability to provide better customer support to annuitants. With increased funding and investment into these efforts, progress will be made towards meaningful reductions in processing times and overall improvements in customer experience. RS maintains its commitment to expand and improve on these efforts and establish long-term solutions that will improve the overall experience of Federal annuitants and their eligible family members as they prepare for and transition into retirement.

Challenge 2: Information Technology

OPM continues to pursue opportunities for funding our information technology modernization efforts, including through the Technology Modernization Fund. The OIG has recognized the work OPM has done to build and implement a modernization plan, which will require sustained funding to be fully successful. Additionally, stability at the leadership and technical strategic level allows OCIO to better address the agency's IT challenges. Since 2021, OPM's CIO has established and filled key executive positions. In FY22 and FY23, the CIO focused on filling deputies and technical positions. Additionally, during FY23, OCIO's employee turnover rate was 4%. That was the lowest turnover rate in a decade.

Further, OCIO is continually implementing cloud technologies and services to modernize OPM's information technology (IT) and to promote enterprise solutions while improving the customer and digital experience. To further improve security, OCIO is continually developing our Zero Trust Architecture program and using native-cloud tools to further enhance OPM's cybersecurity posture.

According to the preliminary FY23 OPM Federal Cybersecurity Progress Report, OPM's score of 90.5/100 is an increase of 16.5 points from FY22. According to GSA's 2023 Mission Support Services Customer Satisfaction Survey, OPM's ranking improved to 8 of 23 for CFO Act agencies. That was an improvement from the 2022 ranking of 12th of 24 for CFO Act agencies. In FY23, OPM's FITARA scorecard improved by a full letter grade from a "C" to a "B."

The CIO has prioritized and increased resources for the OCIO team, which has led to significant progress in continually remediating IT audit findings. OCIO has closed numerous IT audit recommendations from OIG and GAO, continuing to reduce the number of findings that were inherited by this leadership team.

We have partnered with DCSA to develop a schedule to transition DCSA off the OPM network to its own separate network by the end of FY24 Q2. DCSA is currently sharing cybersecurity and operating costs with OPM. In preparation of the separation, the OCIO has identified the expected funding gap that will result after DCSA departs and is continuing to right-size tools and services.

Challenge 3: Governmentwide Challenge

Strategic Human Capital Management

As a co-lead for the President's Management Agenda (PMA) priority 1, the Director of OPM played a pivotal role in elevating the requirement for agencies to set targets and track progress for closing staffing gaps in their mission critical occupations (MCO). OPM issued a memo to CFO Act Agencies on November 30 requiring agencies to submit to OPM their target number of hires in MCOs including the Governmentwide high risk MCOs established under the closing skills gap initiative. OPM worked with GSA to create a dashboard on www.performance.gov to track agencies' progress. OPM required agencies to submit data on their progress for closing staffing gaps mid-year which was then used to update the public facing dashboard.

OPM conducted human capital reviews this year with each of the CFO Act Agencies and one of the standing agenda items was progress on closing skills gaps under the workforce planning discussion. OPM will be releasing high level findings from the HCRs in FY 24. In FY 23 agencies were required to submit updated human capital operating plans (HCOP) to OPM as required under 5 CFR 250 subpart B to report on their efforts to close skills gaps. OPM reviewed each HCOP and provided written feedback in a letter to each CHCO where the agencies fell short on complying with requirement to address skills gaps or was successful in outlining their approach.

In October, OPM issued the Closing Skills Gaps Initiative Closeout Report highlighting all of the actions that OPM has taken to support agencies in closing skills gaps. In the report OPM highlights that Auditor and Economist have been removed as Governmentwide high risk MCOs and that 86% of CHCO Act agencies have mitigated one or more high risk MCO factors. OPM continues to provide agencies data on the different elements of the multi-factor model to assist them in their skills gaps efforts.

We have also made great strides in growing our internal data analytics capability since the March 2022 report. In addition to increasing staff in statistics, data analysis, data science we published the first ever OPM Data Strategy for FY23-FY26 that set goals for the agency to deliver high-quality human capital data products that inform and support critical decision-making for OPM and Federal agencies across government. In September 2023, we launched the first suite of digital dashboards government-wide that provide data insights on Diversity, Equity, Inclusion, and Accessibility (DEIA), Attrition, Federal Employee Viewpoint Survey (FEVS), Time to Hire, and Cyber Workforce to all Federal agencies through its role-based, authenticated data portal.

To help agencies improve their ability to leverage human capital data, OPM developed a Human Capital Data Analytics Community of Practice to promote knowledge exchange and collaboration on the effective development and use of human capital analytics tools, with meetings that averaged 140+ participants per month across agencies. The agency also established data champions at each CFO Act agency to train agencies in the use of these tools and to improve the quality and timeliness of agency data sent to OPM for analysis.

OPM has also integrated the actions to respond to the 16 National Academy of Public Administration Study recommendations to OPM into the agency's FY 2022-2026 Strategic Plan and continues to make steady progress on addressing the recommendations to OPM. OPM's progress in FY 2022 is described in the agency's FY 2022 Annual Performance Report, and the agency's progress in FY 2023 will be described in the agency's FY 2023 Annual Performance Report, expected to be published in February.

FY 2023 Summary of Financial Statement Audit and Management Assurances

OPM's Summary of Financial Statement Audit and Management Assurances are shown in Tables 35 and 36, respectively.

Table 35 – 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 36 – Summary of Management Assurances

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

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**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Systems Control Environment	1	0	1	0	0	0
Total Non-Conformances	**1**	**0**	**1**	**0**	**0**	**0**

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
Federal Financial Management System Requirements	No 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 2023 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

In FY 2023, OPM reports improper payments for two major programs: Federal Retirement Services and the Federal Employees Health Benefits (FEHB) Program.

Retirement Program

OPM paid $95.30 billion in defined benefits to retirees, survivors, representative payees, and families during FY 2023 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.

FEHB Program

The FEHB Program became effective in 1960. It is the world's largest employer-sponsored group health insurance program, covering approximately 8.2 million Federal employees, annuitants, family members, and other eligible individuals.

Since its inception, the FEHB Program has provided a wide choice of health plans offering 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. The premium includes administrative expenses.

2.0 Accountability

Continual strengthening of 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. The OCFO chairs an Improper Payment Working Group that includes program offices that regularly address improper payments.

Retirement Program

Retirement Services (RS) provides Federal employees, retirees, and their families with benefits that offer choice, value, and quality to be a competitive employer. Eligible retirees and survivors generally receive recurring monthly benefits. The status of an annuitant may periodically change and can result in a change to the benefits due. These changes may be due to a life event such as a death, marriage, termination of a marriage, or earnings limitations.

In FY 2023, RS properly paid 99.62 percent of annuity payments and improperly paid 0.38 percent. RS is committed to reducing improper payments by utilizing effective internal controls, corrective actions, and extensive internal recovery efforts. However, system limitations are preventing OPM from expanding root causes category reporting per OMB Circular A-136, Financial Reporting Requirements. Specifically, the current IT system supporting RS does not have the granularity to align with the OMB root cause categories. RS is aware of the principle causes for improper payments and they are identified below.

RS remains committed to ensuring the rate of improper payments remains at 0.38 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.

Delayed Reporting - The status of an annuitant periodically changes and can result in a change to the benefits due. These changes may be a result of death or marriage. The status can also change when the annuitant is restored to earning capacity, reemployed, or for other reasons. OPM relies on annuitants and other sources (such as the Social Security Administration's Death Master File) to learn of some of these status changes. Delayed reporting of the status changes, or sometimes no reporting by the annuitants and other sources, can result in an improper payment.

Actions Taken - OPM conducted several matches and annual surveys. Anomalies identified in these matches and surveys are researched by OPM and, if needed, referred to the OIG.

Prohibited Dual Benefit Payments - Unauthorized dual benefits payments are those benefits for which an employee may qualify for one or the other but not both at once or in full. An example of the potential for unauthorized dual benefit payments occurs when individuals apply for FERS disability while applying for SSA disability benefits. The law prohibits payment of full, unreduced FERS disability annuity benefits and SSA disability benefits for the same period. Since FERS disability annuity benefits are sometimes approved before the SSA determines an award, FERS annuitants can receive full, unreduced monthly annuities before the SSA approves disability benefits. As a result, the annuitant will often owe OPM the cumulative amount of the SSA benefit that should have been withheld from the FERS annuity.

Actions Taken - FERS annuitants are notified of the obligation to repay the debt to the government. OPM recovers overpayments through installment deductions from recurring annuities.

Administrative or Process Errors - OPM's annuity calculations have automated and manual components. The manual components are subject to human error. Errors can include incorrect effective dates, salary rates, and tours of duty which all impact annuity calculations. These errors may occur because OPM incorrectly entered the information or because the annuitant or separating agency provided incorrect information.

Actions Taken - Regular audits are performed to assess the accuracy of Agency retirement packages. Each month, the audit result as well as the most common errors identified are reported to the Agency benefits officers. In addition, internal audits are conducted monthly to determine the accuracy of newly adjudicated retiree and survivor claims under both CSRS and FERS. These audits are used to identify any training or systemic deficiencies.

FEHB 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 by carriers are among the key factors that Contracting Officers consider when assessing Carrier performance. Accountability is inherently incorporated into Contracting Officers' routine activities, such as the use of resolution timelines to work plans, partnering with both the 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 along with a contract oversight component. The PPA helps ensure payment integrity by creating a risk that carriers will lose money for performance in this area. The PPA determines health-plan profit or performance adjustment factors, making it a strong incentive to affect carrier behavior. Developed by OPM, PPA ensures a consistent assessment system, objective performance standards, and more transparency for enrollees. During the 2023 contract year scoring cycle, on average, 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.

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. OPM reported a violation of the ADA, as required by 31 U.S.C. 1517(b). A violation of 31 U.S.C. 1517 occurred in account 24-8440, the Employees Health Benefits Fund, in the total amount of $194,271,795. The violation occurred in early October 2022, as experience-rated carriers participating in the Federal Employees Health Benefits Program (FEHBP) filed end of fiscal year 2022 financial information. OPM incurred in benefit payment obligations to health plans and insurance carriers who provide health benefits coverage to Federal employees, retirees and their dependents that exceeded the value apportioned by the OMB. Importantly, the Employees Health Benefits Fund, which incurred more than $62 billion of benefit payment obligations in fiscal year 2022, had and has sufficient resources to cover the full obligation. The total value of benefit payment obligations is not known until after the conclusion of the fiscal year, when participating carriers report on liabilities, including the value of incurred but unpaid health insurance claims.

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 37 summarizes OPM's debt management activity for September 2023 and 2022. 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 180 day 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 37 – Debt Management Activity

The amounts in the table are in millions.

Retirement Program		
Receivables Activity	**September 2023**	**September 2022**
Total receivables at beginning of year	$384.52	$395.08
New receivables and accruals	$224.33	$244.78
Less collections, adjustments, and amounts written-off	$216.98	$255.34
Total receivables at end of period	$393.79	$384.52
Total delinquent	$80.11	$9.84
Percent delinquent of total receivables	20.34%	2.56%

Health Benefits Program		
Receivables Activity	**September 2023**	**September 2022**
Total receivables at beginning of year	$32.95	$35.24
New receivables and accruals	$26.45	$43.04
Less collections, adjustments, and amounts written-off	$24.03	$45.33
Total receivables at end of period	$35.37	$32.95
Total delinquent	$34.46	$31.88
Percent delinquent of total receivables	97.43%	96.75%

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 38 and 39 compare OPM's percentages that are more than 61 days old to Government-wide percentages.

Table 38 – Travel Card Usage

The amounts in the table are in thousands.

Travel Card Usage	September 2023*	September 2022*
Outstanding Balance (OPM)	$39,412.00	$74,917.33
Outstanding more than 61 days (OPM)	$2,481.00	-
% outstanding more than 61 days (OPM)	1.88%	0.00%
% outstanding more than 61 days (Government-wide)	5.72%	7.38%

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

Table 39 – Purchase Cards

The amounts in the table are in thousands.

Purchase Cards	September 2023	September 2022
Outstanding Balance (OPM)	$122.21	$103.53
Outstanding more than 61 days (OPM)	-	-
% outstanding more than 61 days (OPM)	0.00%	0.00%
% outstanding more than 61 days (Government wide)	0.09%	0.35%

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 2023 is shown in the table below.

Table 40 – 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	2023	$13,508	Not Applicable	**Civil Monetary Penalty Inflation Adjustment** Federal Register, 88 FR 5776, (1/30/2023)

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
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
DOJ	Department of Justice
DOT	Department of Transportation
DQP	Data Quality Plan
EEO	Equal Employment Opportunity
EHRI	Enterprise Human Resources Integration

Acronym	Definition
eOPF	electronic Official Personnel Folder
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
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
FSAFEDS	Federal Flexible Spending Account Program
FSEM	Facilities, Security & Emergency Management

Acronym	Definition
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
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
OIG	Office of the Inspector General

Acronym	Definition
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
USC	United States Code
USPS	United States Postal Service
USSGL	United States Standard General Ledger

Appendix B – Listing of Tables

U.S. Office of Personnel Management
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