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

Final Report

The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2025

September 27, 2024

EXECUTIVE SUMMARY

The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2025

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The Purpose of This Report

The Reports Consolidation Act of 2000 requires the Inspector General to identify and report annually the top management 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 U.S. Office of Management and Budget, the Administration, Congress, or the public; and/or (4) the issue is related to key initiatives of the President.

Krista A. Boyd

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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 removed the Retirement Claims Processing Backlog due to OPM's continued improvements in this area. While there is continued concern regarding Retirement Services meeting its goal of achieving an average case processing time of 60 days or less, OPM is continuing to work to enhance the Retirement Services customer experience, which includes performance measures related to the average number of days to process retirement applications. As of August 2024, Retirement Services has decreased its average case processing time to 64 days.

ABBREVIATIONS

FEGLI	**Federal Employees' Group Life Insurance**
FEHB	**Federal Employees Health Benefits**
FEHBP	**Federal Employees Health Benefits Program**
FY	**Fiscal Year**
GAO	**U.S. Government Accountability Office**
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**
PBM	**Pharmacy Benefit Manager**
PSHBP	**Postal Service Health Benefits Program**
PSHBS	**Postal Service Health Benefits System**
USPS	**U.S. Postal Service**

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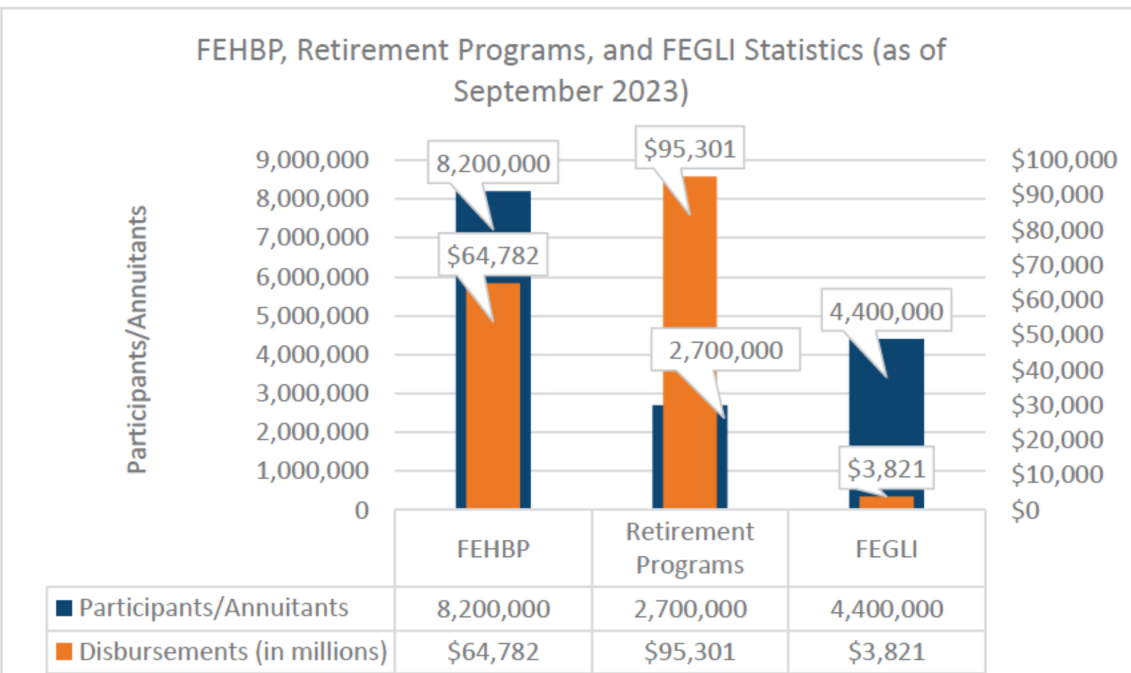
I. Financial Integrity of the OPM-Administered Trust Funds

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, annuitants, survivors and their eligible family members. The largest of these benefit programs are the:

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

OPM manages approximately $1.1 trillion in the earned benefits trust funds including retirement, health benefits, and life insurance programs. In addition, disbursement and participant/annuitant statistics for the three benefit programs, as of September 2023, were:[1]



[1] The Retirement Programs' disbursements represent total outlays for fiscal year 2023.

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 employees, annuitants, and their eligible family members' benefits are ongoing challenges that OPM must address.

A. Postal Service Health Benefits Program

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 Act created a new Postal Service Health Benefits Program (PSHBP) within the FEHBP, establishing new enrollment procedures and benefit programs for U.S. Postal Service (USPS) employees, annuitants, and their eligible family members. The law ended USPS's statutory requirement to annually prefund future retirement health benefits for USPS employees. It requires Postal Service annuitants and their eligible family members who are entitled to Medicare Part A to enroll in Medicare Part B. Additionally, it requires PSHBP plans to provide prescription drug benefits to Postal Service annuitants and family members who are eligible for Medicare Part D through employment-based retiree health coverage.

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 fiscal year [FY] 2022 until expended) to OPM to implement the requirements of the law. For FY 2024, OPM received an additional $28.3 million for ongoing operational costs for PSHBP implementation.

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 implementing the PSHBP, including hiring staff and developing the program, and having it operational for the 2025 benefit year. OPM will need to:

- Develop and test the new centralized enrollment and decision support system, the Postal Service Health Benefits System (PSHBS), by September 2024;

- Work with health insurance carriers to develop benefits and rates;

- Conduct the first Open Season for Postal Service employees and annuitants from November 11 through December 9, 2024, for the plan year beginning January 1, 2025; and

- Ensure that customer service is adequate to provide a positive experience for USPS annuitants and their eligible dependents including the availability of assistance in navigating the new PSHBS.

The upcoming first Open Season of the PSHBP will present challenges for ensuring that USPS subscribers and members are able to successfully enroll in plans and navigate the PSHBS. It will be a challenge for OPM to ensure the PSHBS is operational before Open Season due to a narrow development and testing window. OPM is also challenged with ensuring that USPS enrollees receive adequate communication to understand the PSHBS as well as the new requirements to participate in the PSHBP. Customer service will be a critical challenge in the first Open Season. It is critical that USPS members, especially annuitants, receive the necessary customer service assistance for a successful enrollment. The initial PSHBP Open Season will present a challenge to OPM as it will strain the agency's resources across multiple business units. It is important that OPM devote sufficient resources to the PSHBP as well as to the continued management of the broader FEHBP.

The upcoming Open Season will be the ultimate test of OPM's PSHBP development.

The development of the PSHBS also provides OPM the opportunity to update or improve existing systems used to manage the FEHBP, such as establishing a centralized enrollment system that can potentially be expanded to the FEHBP 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, proper project management and strategic planning, and resource allocation for these projects continues to be a future challenge for OPM.

B. 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 8.2 million federal employees, annuitants, and their eligible family members. The increasing cost of health care, especially the cost of prescription drugs, continues to be a challenge for OPM. OPM's 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 improve the FEHBP for federal employees, annuitants, and their eligible family members.

Prescription Drug Benefits and Costs

Prescription drug costs continue to increase in the FEHBP. From contract years 2022 to 2023, prescription drug costs increased almost 18 percent for the FEHBP's fee-for-service and experience-rated carriers (one of the highest increases in drug costs ever seen). For contract year 2023, the total prescription drug costs were over $19 billion, which represents approximately 31.6 percent of total health care charges in 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 in the industry. With this much change in prescription drug costs, 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.

In recent years, the OPM Office of the Inspector General (OIG) has had significant questioned costs related to pharmacy benefit managers (PBMs) not complying with the FEHBP transparency standards. In one of the OPM OIG's most recent PBM audits, we questioned over $45 million in overcharges where the PBM did not comply with the FEHBP PBM transparency standards. In addition, the OPM OIG issued an FEHBP Prescription Drug Benefit Costs Management Advisory Report[2] to the Director of OPM in 2020. The Management Advisory Report identified variances among several of the FEHBP fee-for-service health insurance carriers with respect to contractual arrangements with PBMs. 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-plus billion annual program.

The 2020 Management Advisory Report recommended that OPM conduct a comprehensive study by seeking independent expert consultation on ways to lower prescription drug costs in the FEHBP. In FY 2024, OPM received funding to conduct this comprehensive study, and the agency is currently working with a consultant in planning the study. This recommendation has been identified by the OPM OIG as one of its three high priority open recommendations.

[2] Report Number 1H-01-00-18-039, issued on February 27, 2020.

Federal Employees Health Benefits Program Enrollment and Eligibility

Ineligible family members receiving FEHBP benefits remains a Top Management Challenge for OPM. This issue has been reported on by both the OPM OIG and the U.S. Government Accountability Office (GAO). OPM has taken or has plans to take appreciable steps towards addressing this issue, including issuing further and more robust guidance in Benefit Administration Letters as well as monitoring recommendations from GAO. However, ineligible member enrollment in the FEHBP remains an ongoing difficulty for the agency.

Primarily, OPM hopes to use a centralized enrollment portal that will allow a federal employee or annuitant to submit valid documents (e.g., birth certificates, adoption certificates, marriage certificates) proving that family members are eligible for FEHBP benefits. A smaller-scale version of this centralized enrollment portal is already under development for the PSHBS. However, when and at what cost OPM will be able to implement a centralized enrollment portal is not clear.

Without a centralized enrollment portal, the process for validating FEHBP member eligibility currently remains the responsibility of a federal employee's employing office or the FEHBP health insurance carrier that provides health insurance benefits to that federal employee and their eligible family members. The recently issued OPM Benefits Administration Letter 24-201 improved and reiterated the responsibility of employing offices and health insurance carriers to attempt to validate eligibility documents. While Open Season still broadly allows for FEHBP members to add family members without the same level of validation as there is during the rest of the year, Benefits Administration Letter 24-201 requires employing offices to review a random minimum of 10 percent of Open Season enrollments of Self Plus One and Self and Family enrollment types.[3] This is a significant and positive step in protecting the program from ineligible members. Additionally, language in the Benefits Administration Letter is encouraging: "OPM will provide further guidance on verification of Open Season elections in subsequent years, including expectations for increasing the percentage of elections subject to verification. Furthermore, OPM plans to provide guidance to require all federal employees to provide eligibility documentation for family member changes during Open Season in subsequent years." The OPM OIG will continue to engage with the agency as the agency evaluates further actionable steps.

[3] https://www.opm.gov/retirement-center/publications-forms/benefits-administration-letters/2024/24-201.pdf

OPM does not have a comprehensive understanding of the financial impact or improper payments caused by ineligible FEHBP family members. Understanding the scope of this issue was a recommendation in GAO's report, and something the OPM OIG has raised as a concern. OPM is reviewing data included in their Master Enrollment Index to better understand the scope of ineligible covered family members specific to the FEHB Program. However, it should be noted that these reviews are in their infancy and the data set has not been shared with the OIG. Also of concern, related to FEHBP program enrollment and eligibility, is that the initial transfer of members from the FEHBP to the PSHBP is planned to occur without a centralized enrollment portal being active. This "lift-and-shift" strategy will move more than a million members to the new program, including an unquantified number of fraudulent family member enrollments. Once OPM has a centralized enrollment portal, the agency would need to apply the portal to these debut members. Not doing so—and not being prepared to do so at some point with any similar FEHBP centralized enrollment portal—would allow existing undiscovered fraud to continue and some federal employees may go decades before retirement without being required to use the centralized enrollment portal. For the initial PSHBP open season, OPM is planning on collecting enrollment verification documentation for new family members. Also, starting on January 1, 2025, OPM will require member eligibility verification documents for any new Postal employee and for Qualifying Life Events. While these are positive steps going forward to provide a better control environment, the majority of the population in the PSHBP will be at a higher risk level since the membership will not have been validated. OPM recognizes this issue but the agency has said it would need further funding to verify enrollment on the over 700,000 members that will transfer from the FEHBP to the PSHBP.

Health Insurance Carriers' Fraud and Abuse Programs

The oversight of the FEHBP relies on a complex relationship between OPM and the FEHBP health insurance carriers and their subcontractors. The fraud and abuse programs of OPM's health insurance carriers remain a Top Management Challenge.

The most recent OPM carrier letter[4] to comprehensively address fraud, waste, and abuse was published in November 2017 (Carrier Letter 2017-13). In the intervening 7 years, the health care landscape has substantially changed. Increases in the cost of prescription drug benefits, the proliferation of telehealth, the creation of the PSHBP, and other program and benefits changes have affected what information OPM needs to ensure that FEHBP health insurance carriers are adequately protecting both the program and FEHBP members from fraud, waste, and abuse.

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

OPM entrusts the FEHBP health insurance carriers to oversee their own programs in accordance with guidance established by OPM. As OPM has said in communications with the OPM OIG, it considers the risks of fraud, waste, and abuse primarily as risks to the health insurance carriers and not the FEHBP. But OPM paid the top five largest FEHBP health insurance carriers more than $23 million for their Special Investigations Units and, for fee-for-service plans, OPM pays both the claim cost and an administrative fee to the FEHBP health insurance carrier for every processed health claim. OPM, through the contract, should look for additional areas where it can strengthen FEHBP health insurance carriers' fraud, waste, and abuse programs to attempt to reduce improper payments.

OPM considers the risks of fraud, waste, and abuse primarily as risks to the health insurance carriers and not the FEHBP.

Stronger guidance for health insurance carrier fraud, waste, and abuse programs is necessary to prevent FEHBP-contracted health insurers from using the carrier notification process to enter settlements with providers under investigation without consulting the OPM OIG as directed by Carrier Letter 2017-13 or against the OPM OIG's direction. Because OPM contracts its frontline fraud, waste, and abuse oversight to the FEHBP health insurance carriers, OPM and the OPM OIG are reliant on the health insurance carriers acting in the best interests of the program and in accordance with the contract. The OPM OIG has previously reported on the need for OPM to strengthen its contracts with the health insurance carriers.[5]

Using updated carrier letters, or strengthening the anti-fraud, -waste, and -abuse provisions of the Contract is necessary to address this challenge. OPM's Healthcare and Insurance program office is responsible for providing the guidance for health insurance carrier notifications and for the requirements of fraud and abuse reporting, but little oversight of the carrier notifications comes from the program office. The OPM OIG will continue to engage with the agency to improve the standards of FEHBP health insurance carriers' fraud, waste, and abuse reporting as an impactful way of reducing improper payments.

The OPM OIG also reiterates that as OPM continues implementing the PSHBP, the agency should ensure that all participating PSHBP health insurance carriers (and their subcontractors) must maintain similar program and reporting requirements for detecting and curtailing fraud, waste, and abuse as FEHBP health insurance carriers.

[5] *Management Advisory Report: FEHB Program Integrity Risks Due to Contractual Vulnerabilities* (Report Number 4A-HI-00-18-026), issued April 1, 2022.

Identifying and Reducing the Flow of Improper Payments

As in previous years, identifying and reporting improper payments in OPM's largest programs, the FEHBP and OPM retirement programs (Civil Service Retirement System and Federal Employees Retirement System), remains a Top Management Challenge for the agency. In fact, for FY 2023, the OPM OIG determined that OPM was not compliant with the Payment Integrity Information Act of 2019.[6] This was largely due to OPM not reporting improper payment estimates for the FEHBP in FY 2023, in accordance with OMB Circular A-123, Appendix C—*Requirements for Payment Integrity Improvement*, because OPM was modifying the statistically valid sampling and estimation methodology plan for Experience-Rated Carriers. In June 2023, OPM submitted to OMB the finalized sampling and estimation methodology plan for the FEHBP's Experience-Rated Carriers. Developing a more accurate understanding of improper payments is essential for the agency to reduce improper payments.

In addition, OPM's difficulties in identifying the root causes of improper payments in its retirement programs is an issue that has been reported in the OPM OIG's Payment Integrity Information Act of 2019 final reports for several years. The OPM OIG continues to have concerns with the inaccuracy of OPM's improper payment rates, especially for the FEHBP.

OPM takes different approaches to identifying and preventing improper payments in its major programs as detailed below.

Improper Payments in OPM's Retirement Services

Reducing improper payments from OPM's retirement programs (Civil Service Retirement System and Federal Employees Retirement System, primarily) hinges on modernizing OPM's retirement systems, which has been a longstanding challenge for the agency. 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.

Reducing improper payments hinges on modernizing OPM's retirement systems.

[6] *Final Report on the Audit of the U.S. Office Of Personnel Management's Compliance with the Payment Integrity Information Act of 2019*, Report Number 2024-IAG-010, issued May 29, 2024.

Recent developments, such as OPM's increased use of the U.S Department of the Treasury's Do Not Pay portal, should help the agency reduce improper payments. The Do Not Pay portal allows OPM to use many different sources to identify deceased annuitants. The use of the portal is an improvement over OPM's previous method, which involved using only the Social Security Administration's Death Master File. The Do Not Pay portal also provides additional data analytics tools using cross-government data and a Deceased Records Confidence Scoring Tool to identify improper payments in OPM's retirement program. Retirement Services has communicated its intent to use the Deceased Records Confidence Scoring Tool in the near future. This potential improvement to the adjudication process is intended to allow OPM to make better informed decisions about payment eligibility. OPM's use of the Deceased Records Confidence Scoring Tool would be a positive development.

Strengthening root cause analysis of improper payments in the OPM retirement programs is necessary to reduce the financial risk to the OPM retirement trust fund. The OPM OIG believes using the Do Not Pay portal will continue to assist OPM in identifying improper payments, help OPM make more timely decisions about payment eligibility, and provide the agency some insight into the root causes of improper payments in its retirement programs. Another program integrity measure that the OPM OIG encourages the agency to consider is sampling responses to OPM's program integrity activities as part of a validation procedure.

The OPM OIG has developed a largely successful and positive working relationship with the Retirement Services' Fraud Branch. Other than occasional minor delays related to quality assurance, the Fraud Branch has been a dependable partner in working with the OPM OIG on our similar oversight efforts. However, there remains a weakness with Retirement Services providing timely information to the OPM OIG about suspended retirement files. The OPM OIG is committed to partnering with Retirement Services to improve the referral process in FY 2025. We look forward to continuing our work together on identifying, preventing, and recovering improper payments made by OPM retirement programs.

Improper Payments in the Federal Employees Health Benefits Program

The FEHBP relies primarily on its contracted FEHBP health insurance carriers to perform program integrity functions. However, OPM has the responsibility of implementing preventive program integrity controls. Part of this would be the implementation of a formal program integrity function within the agency, which OPM has not implemented for the FEHBP. OPM has previously asserted that the OPM OIG is responsible for program integrity. It is important to emphasize that the OPM OIG's function does not alleviate OPM of its duty to prevent improper payments. OPM has, in some areas, been able to implement successful program integrity actions, such as its ongoing efforts to enforce industry best practices related to opioid prescribing within the FEHBP. The OPM OIG continues to investigate medical providers, drug companies, and substance abuse facilities who do not follow best practices, submit false claims, or create risks of patient harm. However, these types of cases will always be a portion of the health care fraud landscape. The OPM OIG is committed to working with the FEHBP health insurance carriers and the agency to address those cases. OPM, in a previous response to the 2023 Top Management Challenges Report, 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 actions demonstrate how OPM can use carrier letters for program integrity functions that improve the program, reduce improper payments, and protect FEHBP members.

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 conducting audits, investigations, evaluations, and special reviews independently from their agencies.[8]

Across the federal government, this multifaceted framework allows for effective and efficient government operations. Program integrity offices operate to oversee other federal health care programs, such as the Department of Health and Human Services Centers for Medicare and Medicaid Services' Center for Program Integrity. OPM faces improper payments in the FEHBP as a persistent management challenge because of its longstanding reticence to engage in necessary large-scale program integrity actions.

C. Retirement Services

OPM is responsible for the administration of the Civil Service Retirement System and the Federal Employees Retirement System, serving approximately 2.8 million active employees, including the USPS, and more than 2.7 million annuitants, survivors, and eligible family members.

OPM's Retirement Services is responsible for the development and administration of the retirement benefits programs and services, including making initial eligibility determinations at retirement; health and life insurance enrollments; federal and state tax

[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).
[8] 5 U.S.C. § 402.

deductions; other payroll functions; and adjudication of annuity benefits based on age and service, disability, or death; post-retirement changes due to life events. In FY 2023, OPM paid more than $95 billion in defined benefits to retirees, survivors, representative payees, and eligible family members. OMB has identified Retirement Services as one of the federal government's 35 High-Impact Service Providers.

OPM's FYs 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.

In an effort to meet its FYs 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.

GAO, Congress, and other 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 federal agencies.

Congressional hearings have addressed challenges in the retirement system, and Members of Congress sent letters to OPM's Director in April and July 2023, expressing concerns in delays with processing and delivering federal retirement benefits to federal employees.

Coordinating retirement benefits between OPM and other federal agencies for disability benefits and workers' compensation has remained a problem area for the retirement program. A performance audit of OPM's Retirement Services disability process[9] conducted by our office 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. The recommendations from our audit report, issued in October 2020, remain open pending implementation of corrective actions.

Retirement Services' Customer Service

While OPM has made substantial progress in reducing the backlog of retirement applications, providing customer service to federal annuitants and survivor annuitants remains a Top Management Challenge.

The OPM OIG hotline continues to receive a large number of contacts that are related to Retirement Services' customer service. These include complaints about an inability to reach a representative through Retirement Services' customer service line to delays or mistakes in processing retirements. We generally refer individuals back to Retirement Services and request a response from the program office within 30 days for an update on how the complaint was addressed. However, a number of these complaints are not timely resolved within that 30-day timeframe.

Delivering improved customer experiences when using federal services is Priority 2 of the President's Management Agenda. According to the FY 2023 Annual Performance Report, OPM failed to meet any of its targets for Strategic Objective 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." Average customer satisfaction scores dropped 0.29 points from 3.74 out of 5 in FY 2022 to 3.45 in FY 2023. OPM continues to be at risk of not meeting its performance objectives in FY 2024.

In FY 2023, we received 1,655 hotline calls related to Retirement Services. Between October 1, 2023, and July 1, 2024, we received fewer—1,140 contacts—but those contacts are approximately 39 percent of all OPM OIG Hotline contacts. Most of these contacts are related to OPM customer service questions or ongoing issues with reaching Retirement Services' customer service representatives.

In past Top Management Challenges' reports, OPM and the OPM OIG identified that a major challenge to improving the agency's customer service is related to their staffing

[9] *Final Report on the Audit of the U.S. Office of Personnel Management's Retirement Services Disability Process*, (Report Number 4A-RS-00-19-038), issued October 30, 2020.

challenges. OPM, at times, receives too many customer service callers and email queries for its customer service representative staffing levels. Future efforts to improve customer service and bolster Retirement Services' customer service experts may require more funding, as well as overall stakeholder support to improve their results.

OPM must continue its efforts to improve the overall experience for active federal employees, annuitants, survivors, and their eligible family members who need customer service from the agency.

II. Information Technology

Modernization and Transformation

Modernizing OPM's information technology (IT) security and operations continues 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, in particular inadequate funding and resources.

The Office of the Chief Information Officer's (OCIO) current priority is its "Sprint to the Cloud" initiative. OPM's legacy mainframe systems 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 modernizing its legacy mainframe code with Java.

> OPM's legacy mainframe systems are at the end of their lifecycles.

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. OPM is currently executing a 2-year plan to move other critical systems to the cloud. OPM has deployed 11 systems using cloud technology and expects that up to 80 percent of OPM OCIO-managed systems will be cloud-capable by the end of FY 2024.

The OCIO has also 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. OPM recently published a revised Cybersecurity and Privacy Policy, implemented phishing-resistant multifactor authentication, and significantly improved its Federal Information Security Management Act 2014 maturity score in FY 2023.

While it appears that OPM is making progress toward its modernization goals, 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 2 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 established an IT working capital fund that allows unobligated year-end money to be converted to 3-year funds for IT modernization.

The agency has also successfully partnered with the Technology Modernization Fund on investments to improve cybersecurity and update its opm.gov website. OPM has obligated more than $7 million of the approximately $16 million in funding that the Technology Modernization Fund Board awarded to OPM for these projects. The Technology Modernization Fund Board also approved OPM's initial proposal to fund the modernization of legacy mainframe applications. While these are positive steps, dedicated funding for IT modernization is needed to ensure that OPM reaches its IT modernization goals.

III. Governmentwide Challenges

Strategic Human Capital Management

In its May 28, 2024, report, *Priority Open Recommendations: Office of Personnel Management,* GAO provided an update on the overall status of OPM's implementation of GAO's recommendations and to call attention to areas where open recommendations should be given high priority. There are 16 priority recommendations that fall into 7 categories, of which *Addressing Mission Critical Skills Gaps* is one. Mission-critical skills gaps in federal agencies and the federal workforce pose a high risk. These gaps can impede agencies from cost effectively serving the public and achieving desired results. Implementing the one priority recommendation in this area—to establish an action plan to address skills gaps identified in its workforce assessment—will help OPM improve its capacity in these areas. It would also help OPM to provide human capital services and guidance to agencies. In April 2023, GAO issued its biennial update to its High-Risk List, *HIGH-RISK SERIES: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*. OPM has oversight responsibility for one of the high-risk areas—strategic human capital management—that was added to the High-Risk List in 2001. Mission critical skills gaps were a factor in 23 of the 37 high-risk areas. Since the April 2023 report, OPM reported that there are 69 total open recommendations from GAO, including 22 that relate to strategic human capital, down from 74 and 28 reported last year respectively.

GAO identified the federal hiring process as a key element of strategic human capital management, which has also been on GAO's High-Risk List since 2001. In GAO's report, *FEDERAL HIRING - USA Staffing System Supports Hiring Needs, but Actions Are Needed to Strengthen Training and Program Management*, dated February 2024, GAO found that OPM provides a variety of support to customers, including account management services and a help desk feature, and also collects feedback through surveys and its system enhancement process. However, OPM has not documented its process for updating its manual records, including the roles, responsibilities, and procedures for conducting certain quality control tasks for managing interagency agreement data. GAO made three recommendations and OPM agreed with the recommendations and described the actions they planned to take to implement them.

In the FY 2023 Agency Financial Report, OPM identified the strategic human capital management governmentwide challenge as one of its strategic goals to improve OPM's ability to provide strategic human capital management leadership to agencies through the expansion of innovation, pilots, and identification of leading practices across government. By FY 2026, OPM plans to provide federal agencies with 25 leading practices. In the Agency Financial Report, OPM also responded to the OPM OIG Top Management Challenges Report by asserting that in October 2023, it issued a closeout report highlighting all the actions that OPM has taken to support agencies in closing skills gaps. In addition, OPM published the first-ever OPM Data Strategy for FYs 2023–2026 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. Lastly, 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. They also established data champions at each Chief Financial Officer's 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.

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.

In its study of OPM, NAPA made 23 recommendations: 16 directly to OPM and 7 to Congress. OPM has integrated the actions to respond to the 16 NAPA Study recommendations to OPM into the agency's FYs 2022–2026 Strategic Plan and Annual Performance Plans and continues to make steady progress on addressing the recommendations to OPM. OPM publishes progress updates in its Annual Performance Report. After the conclusion of FY 2024, OPM will assess whether it has achieved each of the strategic objectives in its FYs 2022-2026 Strategic Plan and address the NAPA recommendations integrated into the Strategic Plan. All 16 OPM recommendations remain open.

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

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