United States Office of Personnel Management

Agency Financial Report

Fiscal Year 2020

OPM.GOV

NOVEMBER **2020**

Table of Contents

Message from the Director, Agency Financial Report 2020

It is my pleasure to present the United States Office of Personnel Management's (OPM) Fiscal Year (FY) 2020 Agency Financial Report (AFR). This AFR is one of a series of reports that conveys agency financial, budget, and performance information to the United States Congress and the American Taxpayers.

FY 2020 marked the first full year that the government-wide background investigations program operated at the Defense Counterintelligence and Security Agency (DCSA), instead of at OPM. OPM supported DCSA's successful program implementation by providing technology, cyber security, financial and other administrative services to sustain the background investigation mission. We progressed in efforts to deliver on core operations and secure adequate budgetary resources. At the same time, we are conducting vital analyses, including the National Academy of Public Administration's review, to develop effective strategies to stabilize and sustain the finances and operations of OPM going forward.

In FY20 OPM made progress improving the Federal hiring process, providing the Federal workforce quality and affordable healthcare, assisting agencies to meet their human capital objectives, improving customer service to retirees and annuitants, and optimizing the agency's performance. Notably, OPM advanced these efforts while playing a vital role in the Federal Government's response to the COVID-19 pandemic.

In the face of complex challenges like the COVID-19 pandemic, OPM continued to serve the Federal workforce, agencies, job seekers, and retirees. As the agency progresses into FY 2021, OPM commits to using the lessons from the year past to drive positive outcomes, advance merit-systems principles, and enable agencies and the Federal workforce to better serve the American people. OPM remains committed to the responsible and transparent management of our resources. We continue to enhance our information technology infrastructure and maintain a mature enterprise risk management strategy in order to prevent fraud, waste and abuse. By continually strengthening internal controls and leveraging technology we effectively serve the over 5.8 million Federal civil servants, retirees, and survivors who rely on the successful execution of our mission.

Sincerely,

Michael Rigas
Acting Director

SECTION 1

Management's Discussion and Analysis

(Unaudited—See accompanying Independent Auditors' Report)

AGENCY FINANCIAL REPORT OVERVIEW

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

OPM operates from its headquarters in the Theodore Roosevelt Federal Office Building at 1900 E Street NW, Washington, D.C., 20415, field offices in 16 locations across the country, and operating centers in Pennsylvania, Maryland, and Georgia. OPM's FY 2020 gross budget, including appropriated, mandatory administrative authorities and revolving fund activities, totaled $1,508,065,836. In FY 2020, the agency had approximately 2,900 full-time equivalent employees. OPM's discretionary budget authority, excluding the Office of the Inspector General, was $154,625,000. For more information about OPM, please refer to the agency's website, **www.opm.gov**.

ABOUT THIS REPORT

The FY 2020 Agency Financial Report (AFR) provides an overview of OPM's financial results to help Congress, the President, and the public assess the agency's stewardship over the financial resources entrusted to it. In February 2021, OPM will publish its FY 2020 Annual Performance Report. The Annual Performance Report will provide an overview of OPM's progress in implementing the strategies and achieving the goals in its FY 2018-FY 2022 Strategic Plan.

The AFR provides an accurate and thorough accounting of OPM's financial performance in fulfilling its mission during FY 2020 and meets reporting requirements stemming from laws focusing on improved accountability among Federal agencies and guidance described in Office of Management and Budget (OMB) Circulars A-11, A-123, and A-136. All reports are available on the OPM website at **https://www.opm.gov/about-us/budget-performance/performance/**.

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

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

OPM'S MISSION AND STRATEGIC GOALS

OPM's Strategic Plan is the starting point for performance and accountability. The FY 2018-2022 plan (see chart below) details four strategic goals and corresponding objectives to lead and serve the Federal Government in enterprise human resources management by delivering policies and services to achieve a trusted effective civilian workforce. The agency uses a series of performance measures or key milestones, developed during its annual performance budgeting process, to gauge its progress in implementing the strategies and achieving the goals in the plan.

STRATEGIC GOAL 1:

Transform hiring, pay, and benefits across the Federal Government to attract and retain the best civilian workforce

OBJECTIVE	OBJECTIVE STATEMENT
1.1	Drive improvements to the hiring process so agencies are able to hire the best candidate in a timely manner
1.2	Achieve reforms to the pay system to drive performance excellence and greater responsiveness to changes in labor markets
1.3	Reduce the complexity and costs to administer Federal employee retirement earned benefits by achieving and implementing legislative reform
1.4	Improve healthcare quality and affordability in the Federal Employees Health Benefits (FEHB) program with 75 percent of enrollees in quality affordable plans

STRATEGIC GOAL 2:

Lead the establishment and modernization of human capital information technology and data management systems and solutions

OBJECTIVE	OBJECTIVE STATEMENT
2.1	Improve collection and analysis of data to better inform human capital management decisions
2.2	Advance human capital management through the strategic use of interoperable Human Resource (HR) and Information Technology (IT) that connects all parts of the talent management lifecycle and drives adoption of the Software as a Service model by the end of 2022
2.3	Streamline data collection and leverage data repositories to enhance enterprise-wide HR data analytics and reduce low-value reporting requirements

STRATEGIC GOAL 3:

Improve integration and communication of OPM services to Federal agencies to meet emerging needs

OBJECTIVE	OBJECTIVE STATEMENT
3.1	Strengthen OPM coordination of policy, service delivery, and oversight resulting in agencies' achievement of human capital objectives
3.2	Achieve recognition as the trusted human capital management advisor

STRATEGIC GOAL 4:

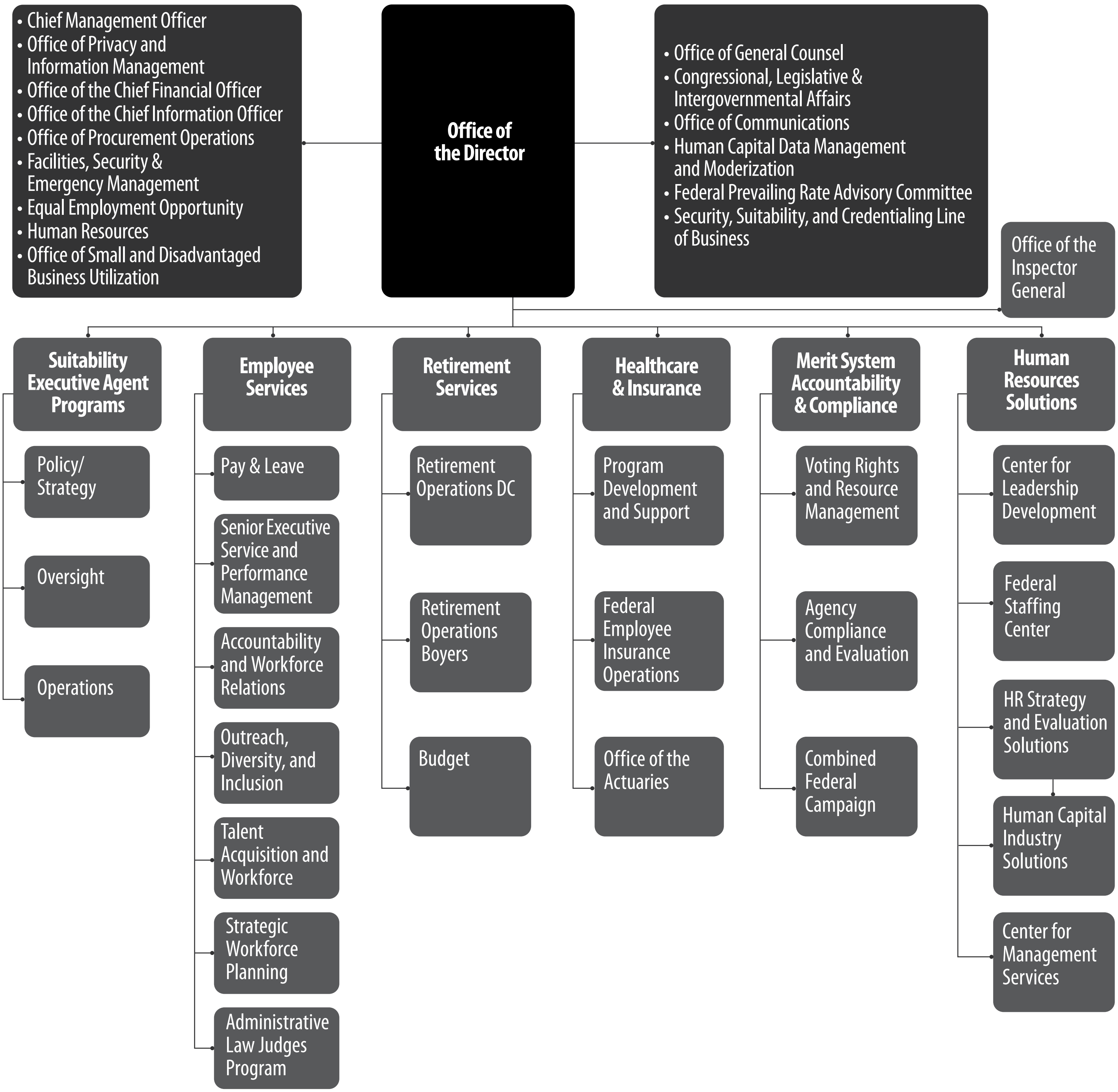
Optimize agency performance

OBJECTIVE	OBJECTIVE STATEMENT
4.1	Improve collaboration, transparency, and communication among OPM leadership to make better, more efficient decisions, increasing OPM's collaborative management score by 4 percentage points
4.2	Invest in OPM management and provide the tools managers need to maximize employee performance, improving OPM's score in dealing with poor performers by 4 percentage points
4.3	Exceed the Government-wide average satisfaction score for each agency mission support service
4.4	Improve retirement services by reducing the average time to answer calls to 5 minutes or less and achieve an average case processing time of 60 days or less

OPM's complete Strategic Plan is available on OPM's website at **https://www.opm.gov/about-us/budget-performance/strategic-plans/2018-2022-strategic-plan.pdf**.

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. The agency's organizational framework consists of program divisions and offices that both directly and indirectly support the agency's mission.



EXECUTIVE OFFICES

- ***The Office of the Director (OD)*** provides guidance, leadership and direction necessary to lead and serve the Federal Government by delivering policies and services to achieve a trusted effective civilian workforce. Included within OD is the Executive Secretariat (ExecSec) function, which is responsible for coordination and review of agency correspondence, policy and program proposals, regulations, and legislation. The ExecSec serves as the agency's regulatory interface with the Office of Management and Budget and the Federal Register. The office is also responsible for the administrative and resource management support for the OD and other executive offices. Additionally, the ExecSec coordinates OPM's international affairs activities and contacts.

- ***Security, Suitability, and Credentialing Line of Business (SSCLoB)*** is an interagency organization that is administratively housed within OPM's Office of the Director. The SSCLoB was established by and supports the Security, Suitability, and Credentialing Performance Accountability Council (PAC) through its Program Management Office (PAC PMO). The PAC is chaired by the Deputy Director for Management of the Office of Management and Budget, and is accountable to the President for enterprise-wide personnel vetting reforms. Through the PAC PMO, the PAC establishes the overall direction for and oversees the SSCLoB's work to identify and assist with implementing solutions that optimize personnel vetting investments, simplify delivery of personnel vetting services, establish shared services, and promote reciprocity, efficiency, and effectiveness across the personnel vetting enterprise.

- ***Office of Privacy and Information Management (OPIM)*** was established in February 2019 in order 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 ensure they were properly resourced. This included realigning the former Information Management and Freedom of Information Act (FOIA) groups from the Office of the Chief Information Officer into OPIM and realigning the Chief Privacy Officer/Senior Agency Official for Privacy from within the Office of the Director to lead the new organization. OPIM's key areas of responsibility are: Privacy; FOIA; Records Management; Section 508 Accessibility; Forms Management/Paperwork Reduction Act; and Controlled Unclassified Information.

- ***Office of the General Counsel (OGC)*** provides legal advice and representation to the Director and OPM managers and leaders so they can work to provide the Federal Government an effective and trusted civilian workforce. OGC does this by rendering opinions, reviewing proposed policies and other work products, and commenting on their legal efficacy, serving as agency representatives in administrative litigation, and supporting the Department of Justice 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 the Government-wide 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 is also responsible for working on any regulations related to the Standards of Conduct issued by the United States Office of Government Ethics in collaboration with DOJ.

- ***Congressional, Legislative and Intergovernmental Affairs (CLIA)*** is the OPM office that fosters and maintains relationships with Members of the Congress and their staff. CLIA accomplishes its mission by keeping informed of issues related to programs and policies administered by OPM.

CLIA staff attend meetings, briefings, markups, and hearings in order to interact, educate, and advise agency leadership and the Congress, as well as state and local governments. CLIA is also responsible for supporting congressional efforts through providing technical assistance and substantive responses to congressional inquiries.

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

- ***Human Capital Data Management and Modernization (HCDMM)*** works to lead Government-wide human capital strategic management through innovation of interoperable data, services, and operations. HCDMM encompasses: the Federal Human Resources Line of Business (HRLOB) with governance via the Multi-Agency Executive Strategy Committee (MAESC) encompassing the 24 CFO Act agencies; programmatic responsibility for Enterprise Human Resources Integration (EHRI) program that is the primary Government-wide human resources data collection platform and the FedScope web portal that provides statistical information about the Federal civilian workforce to the public and; the electronic Official Personnel Folder (eOPF) solution that is a Government-wide mission critical application, which aggregates HR information and displays HR and retirement documents accumulated during a Federal employee's career. HCDMM works to implement a modern model and standards for Government-wide HR business practices, service delivery, and acquisition requirements through the Human Capital Business Reference Model (HCBRM), the Human Capital Federal Integrated Framework (HCFIBF) and the Human Capital Information Model (HCIM). HCDMM oversees governance related to human capital data management, including via Federal guides for working with and managing human capital data, requirements for data file submissions to OPM, and protocols for human capital data releases. HCDMM also manages the dissemination of Federal human resources data to the Congress, GAO, the White House and other external entities.

PROGRAM OFFICES

- ***Employee Services (ES)*** administers statutory and regulatory provisions related to recruitment, strategic workforce planning, pay, leave, performance management and recognition, leadership and employee development, reskilling, work/life/wellness programs, diversity and inclusion, and labor and employee relations efforts with tools, education, and direct support. Employee Services also uses data and research to develop human capital strategy and leads human resources innovation throughout the Federal Government.

- ***Retirement Services (RS)*** is responsible for administering, developing, and providing Federal employees, retirees, 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. RS is responsible for administering the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), serving nearly 2.7 million Federal retirees and survivors who receive monthly annuity payments. Even after a case is adjudicated and added to the annuity roll, OPM continues to serve annuitants by making address or tax status changes to annuitant accounts, sending out 1099-Rs, surveying certain annuitants to ensure their continued eligibility to receive benefits, and conducting other post adjudication activities.

- ***Healthcare & Insurance (HI)*** consolidates OPM's healthcare and insurance responsibilities into a single organization. This includes contracting and program development and management functions for the Federal Employees Health Benefits (FEHB) Program, Federal Employees' Group Life Insurance (FEGLI), 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).

- ***Merit System Accountability & Compliance (MSAC)*** ensures through rigorous oversight that 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 political appointees to competitive or non-political excepted service positions to verify that such appointments 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 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. Further, MSAC manages OPM's Office of Internal Oversight and Compliance, which drives the resolution of audit recommendations to strengthen OPM's risk management and operational performance.

- ***Human Resources Solutions (HRS)*** is a fee-based organization comprised of four practice areas offering a complete range of tailored and standardized human resources products and services, on a reimbursable basis, designed to meet the unique and dynamic needs of the Federal Government, including operationalizing Government-wide HR policies and other key human capital initiatives. As such, HRS provides customer agencies with innovative, high quality Government-to-Government solutions to help them develop leaders, attract and build a high quality public sector workforce, and achieve long-lasting mission success. This includes recruiting and examining candidates for positions for employment by Federal agencies nationwide; managing the Leadership for a Democratic Society program and other leadership, management, and professional development programs; automating the full range of Federal rules and procedures for staffing, learning and performance management; operating the USAJOBS online recruitment site; developing specialized assessments and performance management strategies; providing comprehensive HR strategy; and offering Federal customers human capital management, organizational performance improvement, and training and development expertise procured through best-in-class contracts. The Administrative Law Judges (ALJ) program provides noncompetitive services to 28 agencies employing ALJs Government-wide, to include processing noncompetitive actions, details, classification, and reviewing vacancy announcements.

- ***National Background Investigations Bureau (NBIB)*** was responsible for providing investigative products and services for over 100 Federal agencies to use as the basis for a variety of personnel adjudicative decisions, including but not limited to security clearance and suitability decisions as required by Executive Orders and other rules and regulations. It focused on continuous process improvements through innovation, stakeholder engagement, and agile acquisition strategy in order to meet the important national security need of establishing a trusted Federal Government and contractor workforce. The functions of NBIB were transferred to the Department of Defense (DOD) at the beginning of FY 2020. During FY 2020, OPM continued to assist DOD in the transition with the expectation that all services, legacy account information, and remaining funds tied to services will be fully transferred beginning FY 2021.
- ***Suitability Executive Agent (SuitEA)*** was established as a distinct program office within OPM in December 2016 to strengthen the effectiveness of suitability, fitness, and credentialing vetting across the Government. SuitEA prescribes suitability standards and conducts oversight of functions delegated to the heads of agencies while retaining jurisdiction for certain suitability determinations and taking Government-wide suitability actions when appropriate. SuitEA also issues guidelines and instructions to the heads of agencies to promote appropriate uniformity, centralization, efficiency, effectiveness, reciprocity, timeliness, and security in suitability/fitness/credentialing processes.

MISSION SUPPORT SERVICES

- ***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 Chief Human Capital Officer 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)*** provides leadership and coordination of OPM financial management services, accounting, financial systems, budget, performance, enterprise risk management, and internal controls programs which enable the agency to achieve strategic objectives and mission. Additionally, the OCFO ensures 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)*** develops the Information Resource Management Plan and defines the information technology vision and strategy to include information technology policy and security for OPM. The OCIO manages the IT infrastructure that supports OPM business applications and operations. The OCIO shapes the application of technology in support of the agency's strategic plan, including information technology that outlines the long-term strategic architecture and systems plans for agency information technology capital planning. The OCIO supports and manages pre- and post-implementation reviews of major information technology programs and projects, as well as project tracking at critical review points. The OCIO provides review and oversight of major information technology acquisitions for consistency with the agency's architecture and the information technology budget and is responsible for the development of the agency's information technology security policies. The OCIO leads the agency's information technology architecture engineering to further architecture integration, design consistency, and compliance with Federal standards.

The OCIO also works with other agencies on Government-wide projects such as IT Modernization, Cloud Email Adoption, and developing long-term plans for human resource information technology strategies.

- ***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 service adjudicative services to other government agencies. FSEM directs the operations and oversees OPM's classified information, industrial security, insider threat, and preparedness and emergency response programs.

- ***Office of Procurement Operations (OPO)*** awards and administers several thousand contract actions and interagency agreements annually, with an estimated value of over $2 billion. OPO provides acquisition support to OPM programs and provides assisted acquisition services in support of other Federal agencies that require support under OPM contracts. OPO supports the agency suspension and debarment program, as well as the small business utilization efforts for OPM in conjunction with public law, Federal regulations, and OPM contracting policies. The Acquisition Policy and Innovation function within OPO provides acquisition policy development and guidance agency-wide, as well as provides compliance and oversight over OPM's procurement program. OPO provides acquisition support and oversight for all Contracting Officers and Contracting Officer Representatives and manages and provides oversight of the 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.

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

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

OTHER OFFICES

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

OFFICE OF THE INSPECTOR GENERAL

- ***Office of the Inspector General (OIG)*** The OIG conducts comprehensive and independent 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 Federal Employees Health Benefits Program (FEHBP) 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. A complete discussion of the OIG, including regarding its audit, investigation, evaluations, and other oversight activity, may be found in the OIG's separate budget submission.

FY 2020 PERFORMANCE HIGHLIGHTS

This section contains OPM's performance results for its FY 2019-2020 Agency Priority Goals. OPM's complete performance results will be published in the agency's FY 2020 Annual Performance Report, which is scheduled for publication on the agency's website at www.opm.gov in February 2021, concurrent with OPM's FY 2022 Congressional Budget Justification. For additional information on these Agency Priority Goals, please refer to **www.performance.gov**.

Agency Priority Goal: Establish an FEHB Master Enrollment Index

Goal Statement: By September 30, 2021, OPM will establish a Master Enrollment Index for the FEHB Program that includes at least 90 percent of FEHB subscribers and family members. The Master Enrollment Index will consist of a Master Person Index that includes FEHB subscribers and family members and a Master Enrollment File that includes FEHB enrollment transactions.

Progress Update:

Collection and integration of data is improving: OPM met milestones for the initial collection and integration of OPM data sources for Centralized Enrollment Clearinghouse System data and the component files that make up the Health Benefits Data File. The agency first received FEHB Data-Hub data on October 6, 2020, a week after the end of the quarter.

OPM has established communications with 50 carriers. The agency has received data files from 5 carriers. The remaining carriers are in various stages of testing and establishing connections.

As anticipated, each of these OPM and carrier data sources include only selected data element of what is intended to be included in the Master Enrollment Index (MEI). The agency is developing a better sense of how to put these pieces together into a cohesive whole to create a much more accurate picture of FEHB enrollments. Previous delays (for example, the Carrier Letter and some OPM-sourced files) and now evident weaknesses in data sources have made the integration across sources more challenging than anticipated. While OPM has established the order of precedence for data sources, the agency continues to flesh out the rules for how best to implement that order as additional data becomes available.

Milestone for the integration of data into the Master Person Index (MPI) nearly met: As of the end of FY 2020, the Master Person Index (MPI) includes 89.1 percent of the expected population, based on current enrollment. This reflects data from two carriers, which includes family members, and a combination of data from Centralized Enrollment Clearinghouse System and Health Benefits Data File sources. The addition of Centralized Enrollment Clearinghouse System data allows for the representation of all current subscribers in the MPI. The addition of records from Health Benefits Data File sources includes individuals who are eligible but not enrolled as a subscriber under the program.

Additional progress: The addition of a second carrier to the Master Enrollment File (MEF) increased the existing coverage of enrollment transaction data to 78.4 percent. Although this meets a milestone set for Q3 2021, more work is needed to smoothly integrate records across carriers.

Milestone delay: OPM's goal is to complete a System of Records Notice specific to the MEI and an updated Privacy Impact Assessment for the Health Insurance Data Warehouse before the end of FY 2021.

Performance Measures:

Percent of known subscribers and family members in the Master Person Index						
FY 2016 Results	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2020 Target	Met/ Not Met
-*	-*	-*	-*	89.1%^	90%	Not Met

* No historical data available for this period.
^ OPM expects to meet its FY 2020 target of 90 percent in Q1 FY 2021.

Percent of known subscribers and family members in the Master Person Index						
FY 2016 Results	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2020 Target	Met/ Not Met
-*	-*	-*	-*	78.4%^	75%	Met

* No historical data available for this period.
^ The Master Enrollment File has been updated with data from a second carrier. OPM initially defined its milestones under the assumption that the Master Person Index would be the initial focus of development, and that development of the Master Enrollment File would follow. Given the availability of Carrier data, OPM instead developed both the MPI and the MEF at the same time. Thus, OPM has met the FY 2021 target early.

Agency Priority Goal: Federal Strategic Human Capital Management Tools, Flexibilities, and Authorities and Strategic Skill Gaps Mitigation

Goal Statement: Enable agencies to effectively address current and projected workforce needs to meet mission objectives. By September 30, 2021, OPM will provide agencies with at least 48 significant tools, flexibilities, and authorities needed to advance their human capital objectives, and mitigate skill gaps in 80 percent of identified high risk mission critical occupations compared to a 2017 skills gap baseline.

Progress Update:

In FY 2020, OPM provided agencies with 32 tools, flexibilities, and authorities, and advanced strategic skill gaps mitigation. Highlights are included in this progress update.

Closing Skills Gap Initiative
During the FY 2019 Human Capital Reviews, OPM found that agencies are at various stages of skills gap assessment and mitigation. While public/private pay disparities remain a challenge and achieving a workforce with the necessary competencies for mission accomplishment can be difficult for some agencies. While each agency has its own priorities, some occupations and skillsets stand out as common challenges. For example, nearly half of the agencies referenced IT and cybersecurity needs. Recruitment and retention for IT and cyber positions is an ongoing challenge due to the ever-changing landscape, competition with the private sector and other Federal agencies, and difficulty retaining talent.

OPM, taking an 'enterprise-wide' view in helping agencies align skill needs to position needs, collaborated with and received executive guidance from the Chief Human Capital Officer (CHCO) Council in the design and implementation of the Closing Skill Gaps Initiative. The initiative requires each participating Chief Financial Officer (CFO) Act agency to provide quarterly updates to OPM, allowing OPM to monitor progress and provide any needed support to agencies as they work to mitigate skill and competency shortfalls. As of the end of Q4, 86 percent of CFO Act agencies have actively mitigated identified Mission Critical Occupations skill gaps by conducting root cause analysis, submitting an action plan, developing targets, and reporting on progress, reflecting an increase of seven agencies from Q2. Two CFO Act agencies are excluded from the measure because they do not have skills gaps as determined by the workforce data.

OPM released the **FY 2019 Human Capital Review Report** identifying the significant trends and findings from the Human Capital Reviews conducted in FY 2019.

OPM's Response to COVID-19

In partnership with Federal agencies, OPM developed new guidance, authorized new flexibilities, and revised procedures to provide Federal agencies and employees with the human capital information and options to surge capacity and maximize the use of telework in response to the Coronavirus Disease (COVID-19) pandemic including:

- **Human Resources Flexibilities Available for Federal Employees Impacted by the 2019 Novel Coronavirus Guidance** (February 7, 2020)
- **Preliminary Guidance to Agencies During Coronavirus Disease 2019 (COVID-19)** (March 3, 2020) and **Additional Guidance for Coronavirus Disease 2019 (COVID-19)** (March 7, 2020)
- **On-boarding Processes for New Employees During the COVID-19 Emergency** (March 24, 2020)
- **COVID-19 Excepted Service Hiring Authority** (March 27, 2020)
- **Options for Telework-Eligible Employees with Caregiving Responsibilities** (March 27, 2020)
- **Recruitment, Relocation, and Retention Incentive Waiver Requests for COVID-19 Pandemic Health Crisis** (April 3, 2020)
- **Federal Employee Coverage Under the Leave Provisions of the Families First Coronavirus Response Act (FFCRA)** (April 7, 2020)
- **Waiver of the Premium Pay Limitation and Aggregate Pay Limitation for Employees Working in Response to Coronavirus Disease 2019 (COVID-19)** (April 14, 2020)
- **The Use of Flexible Work Schedules in Response to Coronavirus Disease 2019 (COVID-19)** (May 27, 2020)
- **The Use of a Maxiflex Work Schedule in Response to Coronavirus Disease 2019 (COVID-19)** (May 27, 2020)
- **Annual Leave and Other Paid Time Off Guidance** (June 18, 2020)

OPM also launched a COVID-19 Surge Response Program on March 27, 2020 via **Open Opportunities**, which provides a centralized location where Federal agencies can post details, microdetails, and/or temporary rotational assignments to assist with COVID-19, open to current Federal employees.

Paid Parental Leave for Federal Employees Interim Regulations: On December 20, 2019, President Trump signed into law a major improvement to the compensation and benefits package for Federal civilian employees. The new law amended the Family and Medical Leave Act (FMLA) provisions in title 5, United States Code, to provide up to 12 weeks of paid parental leave to covered Federal employees in connection with the birth or placement (for adoption or foster care) of a child occurring on or after October 1, 2020. On August 7th, OPM issued **interim regulations** to add new paid parental leave regulations to OPM's leave regulations and make necessary clarifications, changes, and additions to OPM's FMLA regulations. On September 28th, OPM hosted a guidance briefing on the benefit.

Collective Bargaining Agreements public database: As of the end of FY 2020, OPM has posted 987 collective bargaining agreements for the **public database** required under Executive Order (EO) 13836, Developing Efficient, Effective, and Cost-Reducing Approaches to Federal Sector Collective Bargaining, signed by the President on May 25, 2018, which requires agencies to submit each term collective bargaining agreement and its expiration date within 30 days of the agreement's effective date. EO 13836 requires OPM to make these agreements publicly available on the Internet. This promotes transparency by allowing the public to view the types of agreements reached between agencies and federal sector unions.

Performance Measures:

Number of strategic human capital management tools, flexibilities, and authorities provided to CFO Act agencies (Cumulative)						
FY 2016 Results	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2020 Target	Met/ Not Met
-*	-*	-*	-*	32	24	Met

* No historical data available for this period.

Percent of CFO Act agencies that have actively mitigated identified Mission Critical Occupations skill gaps (conducted root cause analysis, submitted an action plan, developed targets, and submitted quarterly reports) (Cumulative)						
FY 2016 Results	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2020 Target	Met/ Not Met
-*	-*	-*	-*	86.4%	70%	Met

* No historical data available for this period.

Percent of CFO Act agencies that successfully accomplished a reduction in one or more of the Multi Factor Model categories (2-year retention, quit rate, retirement rate, applicant quality) from their 2015 baseline (Cumulative)						
FY 2016 Results	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2020 Target	Met/ Not Met
-*	-*	-*	-*	72.7	70%	Met

* No historical data available for this period.

QUALITY OF PERFORMANCE DATA

In accordance with the requirements of the Government Performance and Results Acts, 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. Additional information on OPM's performance data quality will be available with the publication of OPM's FY 2020 APR in February 2021.

ANALYSIS OF OPM'S FINANCIAL STATEMENTS

In accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994, OPM prepares consolidated and consolidating financial statements, which include OPM operations, as well as the individual financial statements of the Retirement, Health Benefits, and Life Insurance Programs. These statements are audited by an independent certified public accounting firm, Grant Thornton LLP. For the 21st consecutive year, OPM received an unmodified audit opinion on its consolidated financial statements and the consolidating financial statements including the Retirement, Health Benefits, and Life Insurance Programs. These consolidated and consolidating financial statements are:

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

BALANCE SHEET

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

Assets

At the end of FY 2020, OPM held $1,096.1 billion in assets, a decrease of 34.6 billion from $1,130.7 billion at the end of FY 2019. 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 $1,087.8 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 U.S. Treasury. As OPM routinely collects more money than it pays out, its investment portfolio and its total assets, in normal years, usually both grow.

In FY 2020, the Total Earned Retirement Program Revenue was less than the applicable cost applied to the Pension Liability by $20.4 billion. When the net effect is favorable, the Retirement Program has the ability to reinvest interest earnings and apply the excess funds to the Treasury Transferred-In to subsidize the underfunding of the Civil Service Retirement System (CSRS). The CSRS transfer was a total of more than $34.7 billion for FY 2020.

Liabilities

At the end of FY 2020, OPM's total liabilities were $2,565.9 billion, an increase of 4.8 percent from $2,447.7 billion at the end of FY 2019. Three line items — Pension, Post-Retirement Health Benefits, and Actuarial Life Insurance Liabilities — account for 99.4 percent of OPM's liabilities. These liabilities reflect estimates by professional actuaries of the future cost, expressed in today's dollars, of providing benefits to participants in the future.

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

The *Pension Liability*, which represents an estimate of the future cost to provide CSRS and FERS benefits to current employees and annuitants, is $2,089.7 billion at the end of FY 2020, an increase of $113 billion, or 5.7 percent from the end of FY 2019. [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, is $405.5 billion at the end of FY 2020. This reflects an increase of approximately $3.3 billion from the amount at the end of FY 2019, or 0.8 percent. [See discussion of the Net Cost to Provide Health Benefits below].

The *Actuarial Life Insurance Liability* is different from the Pension and Post-Retirement Health Benefits Liabilities. Whereas the other two are liabilities for "post-retirement" benefits only, the Actuarial Life Insurance Liability is an estimate of the future cost of life insurance benefits for both deceased annuitants and for employees who die in service. The Actuarial Life Insurance Liability increased by approximately $2.8 billion in FY 2020 to $56.4 billion, or 5.2 percent from the end of FY 2019. [See discussion of the Net Cost to Provide Life Insurance Benefits below].

Actuarial Gains and Losses

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

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

Net Position

OPM reports its Federal employees' benefit programs funds in accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 43, *Funds from Dedicated Collections*: Amending SFFAS No. 27, *Identifying and Reporting Earmarked Funds*. This Statement among other provisions, adds "an explicit exclusion for any fund established to account for pensions, other retirement benefits (ORB), other postemployment benefits (OPEB), or other benefits provided for Federal employees (civilian and military)."

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

OPM's total liabilities exceeded its total assets at the end of FY 2020 by $1,469.8 billion, primarily due to the large actuarial liabilities and a $63.3 billion allowance for doubtful accounts for U.S. Postal Service (USPS). However, it is important to note that the Retirement, Health Benefits, and Life Insurance Programs are funded in a manner that ensures there will be sufficient assets available to pay benefits well into the future. See Table 1 - Net Assets Available for Benefits - shows that OPM's net assets available to pay benefits have decreased by $33.7 billion in FY 2020 to $1,081.8 billion.

TABLE 1 - Net Assets Available for Benefits

($ in Billions)	FY 2020	FY 2019	Change
Total Assets	$1,096.1	$1,130.7	$(34.6)
Less "Non-Actuarial" Liabilities	14.3	15.2	(0.9)
Net Assets Available to Pay Benefits	$1,081.8	$1,115.5	$(33.7)

STATEMENT OF NET COST

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

OPM's SNC presents its cost of providing four major categories of benefits and services: Civil Service Retirement and Disability Benefits (CSRS and FERS), Health Benefits, Life Insurance Benefits, as well as 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 2020 Net Cost of Operations was a Loss of $155.8 billion, as compared with a Loss of $82.9 billion in FY 2019. 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 2, the Net Cost of Operations for CSRS Benefits was $57.1 billion in FY 2020, an increase of $11.2 billion from FY 2019. As reported on the SNC, there was a current year loss of $29.8 billion for CSRS due to changes in actuarial assumptions, such as a decrease to the assumed long term interest rate.

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 2020 by $143 million from FY 2019 and OPM's earnings on CSRS investments declined by approximately $1,362 million from the prior fiscal year.

TABLE 2 - Net Cost to Provide CSRS Benefits

($ in Billions)	FY 2020	FY 2019	Change
Gross Cost	$35.0	$43.6	$(8.6)
(Net of Assumptions of Gain/Loss)	29.8	11.2	18.6
Associated Revenues	7.7	8.9	(1.2)
Net Cost of Operations	$57.1	$45.9	$11.2

Current pension benefits paid are applied to the Pension Liability and, therefore, do not appear on the Statement of Net Cost; however, Statement of Federal Financial Accounting Standards 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* (SFFAS 33), 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 $32.4 billion in FY 2020, as compared to the $34.4 billion in FY 2019. The decrease in benefits paid is due to both the lower service cost and decrease in interest expense.

NET COST TO PROVIDE FERS BENEFITS

As shown in Table 3, the Net Cost to Provide FERS Benefits in FY 2020 increased by $62.9 billion from FY 2019 resulting in a Net Cost of Operations of $79.5 billion for the FY 2020. 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 Loses and interest costs on the accrued actuarial liability.

For FY 2020, OPM incurred a Pension Expense for FERS of $140.9 billion, as compared with $72.1 billion in FY 2019. The primary reasons for the increase in FERS pension expense were due to changes in long term actuarial economic assumptions. There was an actuarial loss of $54.6 billion in FY 2020, due to a lower assumed long term rate of interest and greater assumed longer term rates of annuitant costs of living and general salary increases. The FY 2020 Pension Expense also reflected an experience loss primarily due to actual general salary increase and COLA rates being greater than assumed rates.

Contributions by and for FERS participants increased by $7,062 million, or 19.7 percent from the prior FY 2019, due to the increase in FERS payroll primarily as a result of general salary increases.

TABLE 3 - Net Cost to Provide FERS Benefits

($ in Billions)	FY 2020	FY 2019	Change
Gross Cost	$87.7	$72.6	$15.1
(Net of Assumptions of Gain/Loss)	54.6	(0.5)	55.1
Associated Revenues	62.8	55.5	7.3
Net Cost of Operations	$79.5	$16.6	$62.9

Due to accounting standards, current pension benefits paid are applied to the Pension Liability and therefore, do not appear on the Statement of Net Cost. In FY 2020, OPM paid FERS benefits of $21.2 billion, compared with $18.7 billion in FY 2019. 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 2020 decreased by $4.7 billion from that in FY 2019, see Table 4. 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, and Current Benefits and Premiums, and one earned revenue category: contributions by and for participants.

TABLE 4 - Net Cost to Provide Health Benefits

($ in Billions)	FY 2020	FY 2019	Change
Gross Cost	$59.1	$75.8	$(16.7)
(Net of Assumptions of Gain/Loss)	4.4	(8.8)	13.2
Associated Revenues	45.9	44.7	1.2
Net Cost of Operations	$17.6	$22.3	$(4.7)

The Postal Service Retiree Health Benefits Fund (PSRHBF) is included in the Health Benefits Program. The USPS was required by P.L. to make a series of fixed payments to the Postal Service Retiree Health Benefits Fund (PSRHBF) maintained by OPM up to and including FY 2020. The total amount due to the PSRHBF from the USPS is $51.9 billion: $47.2 billion due from FY 2011 – FY 2019 and $4.7 billion for FY 2020. As of September 30, 2020, the Postal Service has indicated payment of the total $51.9 billion due will remain open. Congress has not taken further action on these payments due from USPS to the PSRHB Fund. In accordance with FASAB Technical Bulletin 2020-01, *Loss Allowance on Intragovernmental Receivables*, beginning in FY 2020 OPM will report a loss allowance for the PSRHBF open receivable balance with USPS. Refer to Note 1K and Note 4 for details.

The Post-Retirement Health Benefits (PRHB) Expense is the amount of future benefits earned by participants during the current fiscal year. For FY 2020, OPM incurred a PRHB expense of $19.5 billion, as compared with $27.5 billion in FY 2019. This change is due to an actuarial gain largely attributable to plan experience being more favorable than expected.

Current Benefits and Premiums stayed level for FY 2020. However, the contributions (for and by participants) increased by $1,398 million from FY 2019 to FY 2020. As discussed above, in FY 2020, a total of $51.9 billion in payments was due to the PSRHB Fund from the USPS. However, beginning in FY 2020 OPM will report an allowance for doubtful accounts for those open balances.

Due to accounting standards, a portion of the costs to provide health benefits is netted against the PRHB Liability and not fully disclosed on the Statement of Net Cost. The actual costs to provide health benefits are presented in Table 5.

TABLE 5 - Disclosed and Applied Costs to Provide Health Benefits

($ in Billions)	Disclosed	Applied to PRHB	Total FY 2020	Total FY 2019
Claims	$32.4	$12.7	$45.1	$42.8
Premium Expense	4.3	2.2	6.5	6.7
Administrative Expense and Other	$2.5	$1.4	$3.9	$5.9

Net Cost to Provide Life Insurance Benefits

As seen in Table 6, the Net Cost (Net Income) to Provide Life Insurance Benefits increased from a Net Income of $(1.5) billion in FY 2019 to Net Cost of $1.4 billion in FY 2020. Gross Cost increased $0.5 billion for FY 2020 as compared to FY 2019, with an actuarial loss of $1.0 billion. The Associated Revenues were higher for FY 2020 as compared to FY 2019 by $0.2 billion. In applying SFFAS No. 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 2020 and 2019. 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 2020 as compared to FY 2019.

TABLE 6 - Net Cost to Provide Life Insurance Benefits

($ in Billions)	FY 2020	FY 2019	Change
Gross Cost	$5.1	$4.6	$0.5
(Net of Assumptions of Gain/Loss)	1.0	(1.6)	2.6
Associated Revenues	4.7	4.5	0.2
Net Cost (Income) of Operations	$1.4	$(1.5)	$2.9

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 $289.2 billion in budgetary resources was available to OPM for FY 2020, OPM's budgetary resources in FY 2020 included $72.7 billion (25.1 percent) carried over from FY 2019, plus three major additional sources:

- Appropriations Received = $59.2 billion (20.5 percent)
- Trust Fund receipts of $114.7 billion, less $19.5 billion not available = $95.2 billion (32.9 percent)
- Spending authority from offsetting collections (SAOC) = $62.1 billion (21.5 percent)

Total budgetary resources do not include $22.2 billion of Trust Fund receipts for the Retirement obligations pursuant to public law.

In addition, in accordance with P.L. 109-435, contributions for the PSRHB Fund of the Health Benefits Program are precluded from obligation and therefore temporarily not available; the total is $41.9 billion.

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

Sources of Budgetary Resources		
	FY 2020	FY 2019
Trust Fund Receipts	32.9%	32.6%
Balance Brought Forward from Prior Year	25.1%	25.3%
Spending Authority from Offsetting Collections	21.5%	22.1%
Appropriations	20.5%	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.

Obligations Incurred by Program		
	FY 2020	FY 2019
Retirement Benefits	64.0%	63.0%
Health Benefits	33.9%	34.3%
Life Insurance Benefits	1.6%	1.6%
Other	0.5%	1.1%

From the $289.2 billion in budgetary resources OPM had available during FY 2020, it incurred obligations of $214.3 billion less the $45.8 billion transferred from the Treasury's General Fund (see Note 1G) for benefits for participants in the Retirement, Health Benefits and Life Insurance Programs. The $41.9 billion in the PSRHB Fund of the Health Benefits Program is precluded from obligation. Most of the excess of budgetary resources OPM had available in FY 2020 over the obligations it incurred against those resources is classified as being "unavailable" for obligation at year-end.

In response to COVID-19, OPM received approximately $12.1 million as a supplemental apportionment in a two-year appropriation through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136). The intent of those additional resources was to prevent, prepare for, and respond to limitations imposed by the coronavirus. For FY 2020, a total of $10.9 million obligations were incurred. Leaving an unobligated balance of $1.2 million available in FY 2021 with a total fund balance with Treasury of $6.6 million, after which those remaining funds will expire. Refer to Note 17 for further information.

ANALYSIS OF OPM'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

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

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

Management Assurances

Office of Personnel Management

FY 2020 Statement of Assurance

The Office of Personnel Management (OPM) is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act* (FMFIA). OPM conducted its assessment of risk and internal control in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Agency can provide reasonable assurance that internal control over operations, reporting, and compliance was operating effectively as of September 30, 2020, 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. Other than the non-conformance with financial management system requirements noted in Exhibit B, OPM can provide reasonable assurance that it complies with FFMIA.

Michael J. Rigas — Acting Director — Date: 11/13/20

COMPLIANCE WITH THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

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

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

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

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

A significant change related to Appendix A is the requirement that agencies develop and maintain a Data Quality Plan (DQP) that considers the incremental risks to data quality in federal spending data and any controls that would manage such risks in accordance with OMB Circular No. A-123. As part of our assessment of internal control over reporting, RMIC conducted a test of the design of the key controls contained in OPM's DQP. For FY 2020, our testing was limited to determining whether the key controls documented in the plan are designed appropriately.

EXHIBIT A - SUMMARY OF MATERIAL WEAKNESS

Information System Control Environment

In FY 2020, 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 2020 included repetitive conditions consistent with prior years, as well as new deficiencies. Due to the continued existence of these deficiencies, as well as new deficiencies, they are reported collectively as a material weakness in OPM's internal control over financial reporting.

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

COMPLIANCE WITH THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

Financial Management System

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 generally accepted accounting standards. Specifically, FFMIA requires each agency to implement and maintain systems that comply substantially with:

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

OPM completed an assessment of the systems of internal control against the FFMIA guidelines. OPM determined that for FY 2020, except for the financial management systems requirements, as noted in Exhibit B. OPM substantially complies with all FFMIA requirements regarding Federal Financial Accounting Standards, and application of the USSGL. The objectives of our assessment were to ensure that our financial systems achieve their intended results. The results also indicated that OCFO was consistent with FFMIA guidelines and OPM's mission to provide reliable and timely information for agency decision making.

In addition, our resources were used consistent with OPM's mission and are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets; and reliable and timely information was maintained, reported, and used for decision making. 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.

The Enterprise Cost Accounting System (ECAS) provides a tool that gives a more refined picture of spending across the Agency. The efforts of the Cost Accounting Team in FY 2020 led to the deployment and enhancement of this powerful tool for senior leaders and program managers; giving them unprecedented information to help formulate budgets, set prices for services, allow for fact-based decision-making, and enhance productivity.

In FY 2020, the ECAS was deployed into the OPM cloud using the Microsoft Azure GovCloud. The production system allows for seamless access for end users, utilizing the security certificates already on their PIV cards. This accomplishment provides OPM users with direct system access to ECAS dashboards to view and analyze cost information and generate reports using a dynamic reporting and visualization tool. Users have an ability to directly view the cost of their organizations to the division level for any quarter from the past two fiscal years. Cost can further be segmented by funding source, budget object class (providing insight into resource consumption whether labor or nonlabor), and amount of Full-Time Equivalent (FTE) support by activity or service group. The views currently available to end users also provide amount of costs of technology resources, including the breakout between support provided by the Office of the Chief Information Officer (OCIO) and IT spending by the program office. For certain users of the ECAS system, the dashboards provide insight regarding the amount of support in dollars received from common service organizations. For FY 2020, the Cost Accounting Team focused on bringing enhancements to ECAS' reporting capabilities around technology spending. First, enhancements were made to the data sources to identify costs generated by technology vendors and non-OCIO technology personnel. Second, the Cost Accounting Team met with representatives for each division in OCIO to map activities to the Technology Business Management (TBM) taxonomy, which provides a shared language for IT costs across the organization. Additionally, the conversations with the IT organizations focused on how OCIO's customers inside and outside of the Agency consume OCIO resources to support their mission functions. Technology spending is the final major component to incorporate into the consumption use case to gain increased transparency into Common Services (CS) support across the organization. For this new use case, the Cost Accounting Team is preparing a new dashboard showing differences between common services consumption and the amount program offices pay to replenish the common services fund every year.

Since 2017, the Budget Management System (BMS) continues to serve as OPM's core budget and performance system. The BMS satisfies OPM ability to realize benefits from the expanded functionality of the budget formulation and operating plans that leverages personnel models that can focus on revisions to locality pay adjustments, GS Pay Scale, and benefits and awards percentages. While OPM continues to submit to the Office of Management and Budget (OMB) response to annual requests, that includes but is limited to the OPM's Congressional Budget Justification (CBJ), Annual Performance Report (APR), the Annual Performance Plan (APP), and Congressional Operational Plan (COP). In FY 2020, the Performance Management Application (PMA) re-design effort will capture actual performance measurement data and dimensions, aggregation types, frequency, and target types to be captured in BMS. PMA will have the capability to capture large narrative text to allow the receipt, edit or track changes for narrative text and information for the future submission of the APR and APP. OPM has considered a Dashboard that uses data sources currently available in BMS, including budget requests, enacted budgets, continuing resolutions, and operating plans to provide organizational and programmatic snapshots and deeper-dive comparisons of prior year requests and approval levels.

A strategic priority that is vital to meeting the "optimize agency performance" goal and emphasizes high value work is The Trust Funds Modernization (TFM) effort. TFM aims to transform trust funds financial management by replacing the aged, unsupported Federal Financial System (FFS) and streamlining business processes used to manage the Earned Benefits Trust Funds administered by OPM. TFM expected benefits include administrative and operational costs reduction, financial management efficiency improvements, manual processes reduction resulting in improved error handling, and improved service delivery to OPM customers.

OPM began the planning phase of the TFM effort in FY 2017 which focused on establishing the Program Office and project frameworks. Additionally, OPM engaged the Treasury-sponsored Federally Funded Research and Development Center (FFRDC) (MITRE) to conduct an independent analysis of its Trust Funds operations. In FY 2018, the FFRDC conducted an analysis of OPM's trust funds operations and developed the TFM solution concept which outlined Trust Funds solution target state, the desired business capabilities, and a proposed incremental migration strategy. The FFRDC study also identified the Department of the Treasury, Bureau of Fiscal Services (Treasury), Administrative Resource Center (ARC) as the shared solution provider with the technological approaches, data management solutions, and services to address existing gaps related to Trust Funds accounting, management, and technology that prevent OPM from fulfilling long-term, strategic goals efficiently and cost effectively.

In late 2019, OPM selected Treasury ARC as its potential shared service provider. Treasury ARC's 22 years of experience and the OMB designation as both a "Center of Excellence" and the financial management Quality Service Management Office (QSMO) combined with a phased implementation plan that mitigates transition, security and operational risks with implementing the unique OPM Trust Funds requirements made this move the best path forward. The Treasury ARC partnership aligns with OMB Memorandum 19-16 which focuses on improving agencies' ability to deliver mission outcomes, provide improved customer service, and leverage standardized administrative services in a more consistent and secure operating environment.

In FY 2020, OPM and Treasury ARC initiated activities to migrate the trust funds financial management system to the Treasury ARC shared service environment, in alignment with the GSA/ Unified Shared Services Management (USSM) M3 Framework. These activities include validating high-level requirements against the ARC offering and assessing partnership viability and, eliciting the detailed requirements needed to drive system configuration and migration activities. In FY 2021, OPM continues migration support activities with Treasury ARC for a phased implementation.

In addition to the core modernization initiative related to the replacement of the financial management systems supporting trust funds accounting and management processes, OPM has undertaken several business processes streamlining and automation initiatives. In FY 2019, OPM acquired technology support to enhance its legacy systems to support the implementation of Online Bill Pay (OLBP) functionality which is provided by Treasury. OLBP allows OPM customers to submit payments electronically via their financial institutions which helps to streamline the agency cash management processes. As of October 2020, OLBP functionality has been deployed for five (5) cash management processes. OPM also launched the Headcount Automation initiative in FY 2019 which provides the ability to collect life, health, and retirement enrollee information electronically from Federal Payroll Offices. In March 2020, OPM launched the automated collection process using the newly developed Headcount Collection System (HCS) for the semi-annual March 2020 Headcount season to 236 Federal Payroll Offices.

In FY 2021, OPM plans to continue to partner with its Federal Shared Service Providers (FSSP) on the development and configuration activities associated with core financial management functionality and investment management functionality, which will be operational in FY 2022. OPM will also deploy OLBP Services offered by Treasury and leverage its centralized Receivables Services to streamline the agency's trust fund receivables collections processes. The outcomes of this multi-year endeavor will include streamlined investment accounting, transaction processing, and debt collection. Streamlining OPM's financial management and accounting systems improves efficiencies and reduces errors while potentially realizing a costs savings to the agency due to automation. This will provide more information to customers and will enhance the quality of OPM's financial management services.

Since the beginning of FY 2017, OPM began Stage 1 efforts to support the Consolidated Business Information System (CBIS) migration to the Department of Transportation, Federal Aviation Administration's (FAA) Enterprise Service Center (ESC) Delphi platform. The initial task involved OPM completing a "Lift and Shift" move of CBIS to the FAA ESC to assist in adopting an upgraded technology platform and to reduce overall technology risk and to consolidate cost. In FY 2019, OPM engaged in Stage 2 to conduct M3 Playbook's Discovery Phase that assessed business capabilities of the FAA ESC's shared solution (Delphi and ESC Prism) and options to meet OPM financial and procurement management requirements. As of October 2019, Office of Budget and Management [OMB], GSA's Unified Shared Service Management [USSM] and Treasury's Quality Service Management Office [QSMO] provided OPM the final approval to move forward with the implementation to the FAA ESC shared solution. OPM and FAA ESC initiated the life cycle project plans to migrate to the Delphi and ESC Prism solution by completing the planning phase and is currently in the design and build phases of the project.

Simultaneously, a data cleansing effort is being executed to address the closure of all unreconciled financial transactions from prior years, thereby ensuring the reconciliation of the subledger to the general ledger balances. Concurrently, the CFO organization is developing a change management vision of the future state of the organization that describes how Delphi and ESC Prism impacts business and operation services agency-wide and how that change impacts how we interact with internal and external partners. Within the last year, OPM leveraged a Support Service Governance Framework [SSGF] that outlines the process to oversee CFO's financial management operating model for commercial or Federal support services. For this effort, we are leveraging the guiding principles from the Unified Shared Services Management [USSM] and similar QSMO objectives where we report the status of the CBIS to Delphi migration project on a quarterly basis.

OPM continues to meet reporting submission requirements for the Digital Accountability and Transparency Act [DATA Act] on **USASpending.gov**, in accordance with the Department of Treasury's established submission dates. OPM will continue to maintain its compliance status by applying changes to its file submissions as updates are made to the DATA Act requirements by Treasury.

In FY 2021, OPM will continue to optimize functions, processes, and service delivery across the financial management components to further its compliance with FFMIA. Our executive leadership is committed to ensuring 100% success as we continue to pave OPM's path towards shifting financial management systems and operations for OPM.

EXHIBIT B – NON-CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS

Information System Control Environment

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

Compliance with the Inspector General Act

The Inspector General Act, as amended, requires agencies to report on the final action taken with regard to audits by its Office of the Inspector General. OPM is reporting on audit follow-up activities for the period October 1, 2019 through September 30, 2020. Table 7 – Inspector General Audit Findings provides a summary of OIG's audit findings and actions taken in response by OPM management during this period.

TABLE 7 - Inspector General Audit Findings

FY 2020	Number of Reports	Questioned Costs ($ in Millions)
Reports with no management decision on October 1, 2019	4	$84.0
New reports requiring management decisions	13[1]	23.3
Management decisions made during the year	13	100.4
Net disallowed costs	–	-15.5[2]
Net allowed costs	–	115.9[3]
Reports with no management decision on September 30, 2020	4	6.9

Source: Audit Reports and Receivables Tracking System reports: Audit Reports Issued with Questioned Costs for reporting periods October 1, 2019 through March 31, 2020 and April 1, 2020 through September 30, 2020.

Purpose: To provide data to the OCFO to be included in the fiscal year 2020 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, 42 reports were issued and 13 of them had monetary findings, and 29 reports, which are not reflected in the table, had no monetary findings.

[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 Chief Information Officer (CIO) 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 2020.

In order to support these systems, OPM established Information Systems Security Officer (ISSO) teams in support of the resource demands by program offices and on boarded a new contracting team comprised of six ISSOs in response of resource gaps.

Much of our documentation supporting the FISMA metrics has been updated. Specifically, during the fiscal year we updated the risk assessment process to align with the Cybersecurity Risk Management Strategy. We also updated the agency system registration process to align with NIST SP800-37 Revision 2 in order to more clearly define system boundaries and increase transparency of decisions to modify the enterprise system inventory.

The Agency continued our improvements in Security Training in FY 2020 and is operating at Council of the Inspectors General on Integrity and Efficiency (CIGIE) Maturity Model Level 4, Managed and Measurable. The enhanced tailored training for employees with significant security responsibilities also contributed to the improved score. Improvements to the tailored training will continue in FY 2021.

With the release of OMB M-19-17 which supersedes M-11-11 and includes new Identity, Credential, and Access Management (ICAM) requirements, OPM will identify steps to implement the requirements of M-19-17. This analysis and planning will address related scores in both the OCIO and OIG FISMA submissions.

While retaining a CIGIE Maturity Model Level 4, Managed and Measurable status, the OPM Security Operations Center (SOC) has continued implementation of a robust phishing awareness and training program. The team uses the latest phishing techniques to test all OPM users on a monthly basis. Additionally, the team tests all privileged users with more advanced techniques on a quarterly basis. Due to the regular testing the team has observed that users have become more vigilant toward phishing messages.

Building on the momentum of the audit finding resolution efforts with the Government Accountability Office (GAO) and Office of the Inspector General (OIG), the agency successfully closed over 20 cybersecurity recommendations from previous engagements. OPM is proud to continue the trend of collaboration and focus on reducing open audit recommendations for the agency Chief Information Office.

COMPLIANCE WITH OTHER KEY LEGAL AND REGULATORY REQUIREMENTS

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

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

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

FORWARD-LOOKING INFORMATION

OPM is dedicated to achieving agency strategic goals and continuing to lead and serve the Federal Government in enterprise human resources management by delivering policies and services to achieve a trusted effective civilian workforce. Looking forward, OPM continues to operate with limited budgetary resources in the Salaries and Expenses (S&E) funds which affects many vital functions to include but not limited to providing adequate human capital to on-going projects and initiatives and performing critical information technology repair and modernization. Over the next two years, OPM will migrate to new financial systems through shared services with Federal Aviation Administration's (FAA) Delphi and Treasury's Administration Resource Center (ARC) solutions. Ultimately, this will enhance OPM's financial reportability and transparency. Additionally, OPM spent the majority of FY 2020 in a virtual environment due to COVID-19 without experiencing any negative impacts to the continuity of operations critical to fulfilling the mission of the agency. Looking forward, OPM will stay abreast of the pandemic impacts and ensure future operations remain effective and efficient while leading and servicing the Federal Government in human capital resource management.

GOALS AND STRATEGIES

OPM is firmly committed to improving financial performance and has received an unmodified audit opinion for 21 consecutive years for OPM's financial statements. OPM has developed a plan to implement enterprise-wide managerial cost accounting standards across the Agency; routinely provides status of funds and other financial reports to financial and program managers; has integrated financial and performance information; and uses such information to formulate its annual budget requests, as well as for day-to-day management and program analysis. OPM has instilled management discipline to help ensure accurate, timely, and effective budget formulation and execution.

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 on the annual financial statements
- Continue to implement a new integrated financial management system fully compliant with Federal standards providing sound, effective support to all customers
- Strengthen stewardship, accountability, and internal controls over financial reporting, as stipulated by revised OMB Circular No. A-123
- Reduce improper payments to target levels

LIMITATIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

SECTION 2

FY 2020 Financial Information

A Message from the Chief Financial Officer

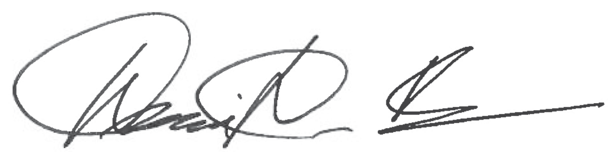
For the Fiscal Year 2020, I am pleased to be presenting the Office of Personnel Management's (OPM) Agency Financial Report (AFR). OPM continued to receive an unmodified opinion of our consolidated financial statements from our independent public accounting firm. The opinion provides reasonable assurance that OPM financial statements are reported fairly, in all material aspects, in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

During the FY 2020 operating year, OPM progressed in stabilizing and sustaining core operations and associated budgetary resources after the transition of the government-wide investigations program to the Defense Counterintelligence and Security Agency (DCSA). While there was an ongoing effort to support DCSA in many of their enabling administrative and information technology activities through an inter-agency agreement, OPM leadership focused on right-sizing core operations and the associated infrastructure improvements necessary to support the agency mission, especially in our role as the human capital policy and workforce earned benefits leader for the federal government.

Financial management modernization efforts were a significant focus for the Office of the Chief Financial Officer (OCFO) with an emphasis on leveraging shared services in support of our desire to achieve high-value activities within the organization. The migration activities for our earned benefits accounting system to the Department of Treasury's Administrative Resource Center gained momentum as we entered Engagement Phase 2 to gather requirements and perform fit/gap analysis. We also initiated the migration exercise of our administrative financial system to the Department of Transportation's Enterprise Service Center's Delphi platform that will be completed in FY 2021. These extensive efforts are about people, processes, and technology that will not only modernize our financial management technology and business processes, but also allow us to leverage our most important asset, our people. These initiatives will achieve high-value work and significant savings in the next several years.

As we enter the next fiscal year, we are steadfast in our commitment to the tremendous responsibility of safeguarding all financial assets against waste, fraud, and abuse, including the $1 trillion earned benefit portfolio that provides 5.8 million employees, retirees, and survivors key benefits. This will be accomplished by strengthening our internal controls, maturing our risk management posture, and leveraging technology. Our partnership with our stakeholders will remain a priority, so that we provide excellent financial stewardship over the resources entrusted to us by the American taxpayer. On behalf of OPM and the OCFO, it is my pleasure to provide you with the FY 2020 AFR, that documents our careful financial stewardship over Federal employees earned benefit assets and other agency administrative funds.

Sincerely,



Dennis D. Coleman
Chief Financial Officer

Transmittal from OPM's Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

November 13, 2020

Report No. 4A-CF-00-20-024

MEMORANDUM FOR MICHAEL J. RIGAS
Acting Director

FROM: NORBERT E. VINT
Deputy Inspector General
Performing the Duties of the Inspector General

NORBERT VINT

Digitally signed by NORBERT VINT
DN: c=US, o=U.S. Government, ou=Office of Personnel Management, cn=NORBERT VINT, 0.9.2342.19200300.100.1.1=24001000006331
Date: 2020.11.13 18:15:03 -05'00'

SUBJECT: Audit of the U.S. Office of Personnel Management's Fiscal Year 2020 Consolidated Financial Statements

This memorandum transmits Grant Thornton LLP's (Grant Thornton) report on its financial statement audit of the U.S. Office of Personnel Management's (OPM) Fiscal Year 2020 Consolidated Financial Statements and the results of the Office of the Inspector General's (OIG) oversight of the audit and review of that report. OPM's consolidated financial statements include the Retirement Program, Health Benefits Program, Life Insurance Program, Revolving Fund Programs (RF) and Salaries & Expenses funds (S&E).

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

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires OPM's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the agency's financial statements in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. We contracted with the independent certified public accounting firm Grant Thornton to audit OPM's consolidated financial statements as of September 30, 2020 and 2019. The contract requires that the audit be performed in accordance with generally accepted government auditing standards and the Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*.

Grant Thornton's audit report for Fiscal Year 2020 includes opinions on the consolidated financial statements and the individual statements for the three benefit programs. In addition, Grant Thornton separately reported on internal controls and on compliance with laws and regulations. In its audit of OPM, Grant Thornton found:

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- The consolidated 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 the internal controls:

    - Information Systems Control Environment

  A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 of 1996 (FFMIA) Section 803(a), as described in the material weakness, 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) disclosed no instances of substantial noncompliance with the applicable Federal accounting standards and the application of the United States Government Standard General Ledger at the transaction level.

OIG Evaluation of Grant Thornton's Audit Performance

In connection with the audit contract, we reviewed Grant Thornton's report and related documentation and made inquiries of its representatives regarding the audit. To fulfill our audit responsibilities under the CFO Act for ensuring the quality of the audit work performed, we conducted a review of Grant Thornton's audit of OPM's Fiscal Year 2020 Consolidated Financial Statements in accordance with GAS. Specifically, we:

- provided oversight, technical advice, and liaison to Grant Thornton auditors;

- ensured that audits and audit reports were completed timely and in accordance with the requirements of Generally Accepted Government Auditing Standards (GAGAS), OMB Bulletin 19-03, and other applicable professional auditing standards;

- documented oversight activities and monitored audit status;

- reviewed responses to audit reports and reported significant disagreements to the audit follow-up official per OMB Circular No. A-50, Audit Follow-up;

- coordinated issuance of the audit report; and

Honorable Michael J. Rigas 3

- performed other procedures we deemed necessary.

Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, opinions on OPM's financial statements or internal controls or on whether OPM's financial management systems substantially complied with the Federal Financial Management Improvement Act of 1996 or conclusions on compliance with laws and regulations. Grant Thornton is responsible for the attached auditor's report dated November 13, 2020, and the conclusions expressed in the report. However, our review disclosed no instances where Grant Thornton did not comply, in all material respects, with the generally accepted GAS.

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

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

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

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

Attachment

cc: Basil L. Parker
Chief of Staff

Kathleen M. McGettigan
Chief Management Officer

Mark A. Robbins
General Counsel

Honorable Michael J. Rigas 4

Dennis D. Coleman
Chief Financial Officer

Clare A. Martorana
Chief Information Officer

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

Janet L. Barnes
Director, Internal Oversight and Compliance

Monique Taylor
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Independent Auditors' Report

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Michael J. Rigas, Acting Director
United States Office of Personnel Management

Norbert E. Vint, Deputy Inspector General Performing the Duties of the Inspector General
United States Office of Personnel Management

Report on the financial statements

We have audited the accompanying financial statements of United States Office of Personnel Management (the "Agency"), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, 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 consolidated financial statements, as well as the individual balance sheets of the Retirement, Health Benefits, and Life Insurance Programs as of September 30, 2020 and 2019, 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.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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; and Office of Management and Budget ("OMB") Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's

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preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions on the financial statements
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Office of Personnel Management as of September 30, 2020 and 2019, 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, 2020 and 2019, 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.

Other matters

Required supplementary information
Accounting principles generally accepted in the United States of America require that the information in Management's Discussion and Analysis (Section 1) and the combining statement of budgetary resources be presented to supplement the basic financial statements. Such information, although not a required part of the basic 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 financial statements in an appropriate operational, economic, or historical context. Management is responsible for preparing, measuring, and presenting the required supplementary information in accordance with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America. 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 financial statements, and other knowledge we obtained during our audit of the basic 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 basic financial statements as a whole. The Revolving Fund Programs, Salaries and Expenses and Eliminations columns in the consolidating financial statements as of and for the years ended September 30, 2020 and 2019 (Schedules 1 through 3) and the Civil Service Retirement System (CSRS) and Federal Employees Retirement

Grant Thornton

System (FERS) columns in the consolidating statements of net cost for the years ended September 30, 2020 and 2019 (Schedule 2) are presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual components, and are not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Other Information (Section 3) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Management is responsible for preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the basic financial statements and the required supplementary information. We read the other information in order to identify material inconsistencies, if any, with the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 13, 2020, 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, 2020

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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*

Michael J. Rigas, Acting Director
United States Office of Personnel Management

Norbert E. Vint, Deputy Inspector General Performing the Duties of the 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; and Office of Management and Budget ("OMB") Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, the financial statements of United States Office of Personnel Management (the "Agency"), which comprise the consolidated balance sheet as of September 30, 2020 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, 2020, 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, 2020, on these financial statements.

Internal control over financial reporting

Management's responsibility for internal control
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 responsibility
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
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 may not prevent, or detect and correct, misstatements due to fraud or error.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 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 (physical and logical), configuration management, segregation of duties, and service continuity or contingency planning. 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 Washington, DC and supporting locations such as Macon, GA, and Boyers, PA.

During FY 2020, deficiencies noted in FY 2019 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:

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

The information system issues identified in FY 2020 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. We noted the following deficiencies during our audit of OPM's security management controls:

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- General Support Systems (GSSs) and application System Security Plans, Risk Assessments, Authority to Operate Packages and Information System Continuous Monitoring documentation were incomplete, not timely, or not reflective of current operating conditions.

- OPM did not have a centralized process in place to track a complete and accurate listing of systems and devices to be able to provide security oversight or risk mitigation in the protection of its resources.

- OPM did not have a system in place to identify and generate a complete and accurate listing of OPM contractors and their employment status.

- A complete and accurate listing of Plan of Action and Milestones (POA&Ms) could not be provided. Additionally, documentation of the periodic review of POA&Ms did not exist.

- 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 review applicable Service Organization Controls (SOC) reports.

Incomplete and inaccurate system documentation and listings present the risk that personnel do not adhere to required processes and controls. Furthermore, 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. Additionally, without a comprehensive understanding of all devices, software and systems and the controls that have been implemented to protect those systems within OPM's boundaries, OPM is unable to provide comprehensive security oversight or risk mitigation in the protection of its resources. Furthermore, without comprehensive tracking or periodic review of vulnerabilities or known system weaknesses, OPM is unable to determine whether appropriate action has been taken and whether they have been remediated within a timely manner. Additionally, without a review of controls performed by third parties, OPM is unable to validate that the internal control environment can mitigate risks. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

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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. We noted the following deficiencies during our audit of OPM's 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 requires the two-factor authentication.
- Password and inactivity settings are not compliant with OPM policy.
- 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.
- Memorandums of Understandings (MOUs) and Interconnection Service Agreements (ISAs) were not documented, signed, or reviewed on an annual basis.

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. Further, lack of controls to validate that access granted aligns with access requested and job duties, along with a lack of comprehensive recertification present the risk that individuals maintain unauthorized access to the application. Lack of comprehensive

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audit logging and monitoring controls present the risk that individuals perform unauthorized actions within the application without investigation and recourse. Additionally, passwords that are not compliant with policies increases the risk that personnel can gain unauthorized access to the system. Finally, lack of review of ISAs and MOUs increases the risk that requirements and responsibilities are not documented and carried out as intended. 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. We noted the following deficiencies during our audit of OPM's configuration management controls:

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

Lack of controls to generate a complete and accurate listing of configurable items as well as separate and / or monitor users with access to develop and migrate changes within a system, increases the risk that unauthorized or erroneous changes are made to the application without detection. Additionally, without restrictive configuration settings and the application of patches, as well as a periodic assessment to ensure that settings and patches are appropriate, the risk that systems are not secure increases. The issues presented above may increase the risk of financial systems

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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. We noted the following deficiencies during our audit of OPM's interface / data transmission controls:

- Controls were not in place to validate that data transmitted to applications is complete and accurate.
- Comprehensive interface / data transmission design documentation is not in place.

Without documentation specifying the data fields being transmitted from one system to another, as well as controls in place to validate that all data from the source system was transmitted to the target system in appropriate formats, 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 (System Security Plans and Authority to Operate Packages) and appropriately document results of Risk Assessments and Information System Continuous Monitoring) in accordance with agency policies and procedures.
- Enhance processes in place to track the inventory of OPM's systems and devices and validate that security software and tools are installed on all systems.
- Implement a system or control that tracks current and separated OPM contractors.
- Assign specific individuals with overseeing and monitoring POA&Ms to ensure security weaknesses correspond to a POA&M and are remediated in a timely manner.
- Establish a means of documenting a list of users with significant information system responsibilities to ensure the listing is complete and accurate and the appropriate training is completed.
- Assign individuals the responsibility of reviewing SOC reports for systems that are leveraged by the agency and hosted and / or maintained by third parties.

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Logical Access

- Ensure policies and procedures governing the provisioning and de-provisioning of access to information systems are followed in a timely manner and documentation of completion of these processes is maintained.
- Perform a comprehensive periodic review of the appropriateness of personnel with access to systems.
- Implement two-factor authentication for applications.
- Document access rights to systems to include roles, role descriptions and 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.
- Configure password and inactivity parameters to align with agency policies.
- Document, sign, and review and update Interagency Service Agreements and Memorandums of Understanding in accordance with agency policies and procedures.

Configuration Management

- Establish a methodology to systematically track all configuration items that are migrated to production and be able to produce a complete and accurate listing of all configuration items for both internal and external audit purposes, which will in turn support closer monitoring and management of the configuration management process.
- Separate users with the ability to develop and migrate changes to production or implement controls to detect instances in which a user develops and migrates the same change.
- Conduct post-implementation reviews to validate that changes migrated to production are authorized.
- Enforce existing policy developed by OPM, vendors or federal agencies requiring mandatory security configuration settings and implement a process to periodically validate the settings are appropriate.
- Update patch management procedures to reflect current operating conditions. Establish a process to validate patches, updates, and fixes are applied in a timely manner.

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Interface / Data Transmission Controls:

- Implement controls to validate that data transmitted to applications is complete and accurate.
- Develop interface / data transmission design documentation that specifies data fields being transmitted, controls to ensure the completeness and accuracy of data transmitted, and definition of responsibilities.

Views of Responsible Officials and Planned Corrective Actions

The Agency concurs with the findings and recommendations described above and will implement a corrective action plan to address these deficiencies in the new fiscal year.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below, in accordance with *Government Auditing Standards*. Noncompliance may occur that is not detected by these tests.

Management's responsibility
Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency.

Auditor's responsibility
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 perform certain other limited procedures. We did not test compliance with all laws, regulations, contracts, and grant agreements.

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 the applicable Federal accounting standards and the application of the USSGL at the transaction level.

Agency's response to findings
The Agency's response to our findings, which is in the section titled Views of Responsible Officials and Planned Corrective Actions, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Agency's response.

Intended purpose
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Arlington, VA
November 13, 2020

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATED BALANCE SHEETS
As of September 30, 2020 and September 30, 2019
(In Millions)

	FY 2020	FY 2019
ASSETS		
Intragovernmental:		
Fund Balance with Treasury [Note 2]	**$2,181**	**$3,354**
Investments [Note 3]	**1,087,793**	**1,066,721**
Accounts Receivable, Net [Note 4]	**3,207**	**57,927**
Total Intragovernmental	**1,093,181**	**1,128,002**
Accounts Receivable from the Public, Net [Note 4]	**1,983**	**1,830**
General Property and Equipment, Net	**5**	**3**
Other [Note 1L]	**921**	**818**
TOTAL ASSETS	**$1,096,090**	**$1,130,653**
LIABILITIES		
Intragovernmental [Note 6]	**$507**	**$944**
Federal Employee Benefits:		
Benefits Due and Payable	**12,389**	**12,751**
Pension Liability [Note 5A]	**2,089,700**	**1,976,700**
Postretirement Health Benefits Liability [Note 5B]	**405,454**	**402,201**
Actuarial Life Insurance Liability [Note 5C]	**56,386**	**53,615**
Total Federal Employee Benefits	**2,563,929**	**2,445,267**
Other [Note 6]	**1,428**	**1,486**
TOTAL LIABILITIES	**2,565,864**	**2,447,697**
Commitments and Contingencies [Note 7]		
NET POSITION		
Unexpended Appropriations	**64**	**58**
Cumulative Results of Operations	**(1,469,838)**	**(1,317,102)**
TOTAL NET POSITION	**(1,469,774)**	**(1,317,044)**
TOTAL LIABILITIES AND NET POSITION	**$1,096,090**	**$1,130,653**

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

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2020 and 2019
(In Millions)

		FY 2020	FY 2019
	Gross Costs	$34,979	$43,582
	Less: Earned Revenue	7,697	8,916
Provide CSRS Benefits	Net Cost	27,282	34,666
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5A]	29,802	11,221
	Net Cost of Operations [Notes 8 and 9]	$57,084	$45,887
	Gross Costs	$87,692	$72,622
	Less: Earned Revenue	62,818	55,546
Provide FERS Benefits	Net Cost	24,874	17,076
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5A]	54,612	(506)
	Net Cost of Operations [Notes 8 and 9]	$79,486	$16,570
	Gross Costs	$59,059	$75,789
	Less: Earned Revenue	45,858	44,687
Provide Health Benefits	Net Cost	13,201	31,102
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5B]	4,363	(8,830)
	Net Cost of Operations [Notes 8 and 9]	$17,564	$22,272
	Gross Costs	$5,093	$4,589
	Less: Earned Revenue	4,735	4,482
Provide Life Insurance Benefits	Net Cost	358	107
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5C]	1,072	(1,575)
	Net Cost of Operations [Notes 8 and 9]	$1,430	($1,468)
	Gross Costs	$683	$2,138
Provide Human Resource Services	Less: Earned Revenue	459	2,537
	Net Cost of Operations [Notes 8 and 9]	$224	($399)
	Gross Costs	$187,506	$198,720
	Less: Earned Revenue	121,567	116,168
Total Net Cost of Operations	Net Cost	65,939	82,552
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Notes 5A, 5B, and 5C]	89,849	310
	Net Cost of Operations [Notes 8 and 9]	$155,788	$82,862

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

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2020 and 2019
(In Millions)

	FY 2020	FY 2019
UNEXPENDED APPROPRIATIONS		
Beginning Balance	**$58**	**$58**
Budgetary Financing Sources:		
Appropriations Received	**59,700**	**57,088**
Other Adjustments	**(477)**	**(134)**
Appropriations Used	**(59,217)**	**(56,954)**
Total Budgetary Financing Sources	**6**	**0**
Total Unexpended Appropriations - Ending Balance	**64**	**58**
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	**($1,317,102)**	**($1,291,241)**
Adjustments:		
Changes in Accounting Principles	**($55,433)**	**$0**
Beginning Balances, as Adjusted	**($1,372,535)**	**($1,291,241)**
Budgetary Financing Sources:		
Appropriations Used	**59,217**	**56,954**
Transfer-In/Out Without Reimbursement	**(1,259)**	**0**
Other Financing Sources	**527**	**47**
Total Financing Sources	**58,485**	**57,001**
Net Cost of Operations	**155,788**	**82,862**
Net Change	**(97,303)**	**(25,861)**
Cumulative Results of Operations - Ending Balance	**($1,469,838)**	**($1,317,102)**
NET POSITION	**($1,469,774)**	**($1,317,044)**

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

U.S. OFFICE OF PERSONNEL MANAGEMENT

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2020 and 2019

(In Millions)

	FY 2020	FY 2019
BUDGETARY RESOURCES		
Unobligated Balance, from Prior Year Budget Authority, Net	**$72,679**	**$71,758**
Appropriations	**154,435**	**149,827**
Spending Authority from Offsetting Collections	**62,136**	**62,753**
Total Budgetary Resources	**$289,250**	**$284,338**
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments [Note 11]	**$214,336**	**$210,709**
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	**363**	**1,456**
Unapportion, Unexpired Accounts	**74,490**	**72,112**
Expired, Unobligated Balance, End of Year	**61**	**61**
Total Unobligated Balance, End of Year	**74,914**	**73,629**
Total Budgetary Resources	**$289,250**	**$284,338**
OUTLAYS, NET		
Outlays, Net	**$152,653**	**$148,056**
Less: Distributed Offsetting Receipts	**47,030**	**44,918**
Agency Outlays, Net	**$105,623**	**$103,138**

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO OPM 2020 AGENCY FINANCIAL REPORT

SEPTEMBER 30, 2020 and 2019 [$ in millions]

The numbers presented throughout the FY 2020 Notes to the Financial Statement may not tie exactly to the totals provided in the financial statements due to rounding.

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) and the Government Management Reform Act of 1994 (GMRA). 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.

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. In addition, Sections 802 and 803 of P.L. 109- 435, the Postal Act, amended certain provisions of Chapters 83 and 89 of Title 5 dealing with the Retirement Program and the Health Benefits Program, respectively. 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 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 hospitalization and major medical protection to Federal employees, retirees, former employees, family members, and former spouses. 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 two types of health benefits carriers: *fee-for-service*, which reimburse participants or their health care providers for the cost of services, and *health maintenance organizations* (HMO), which provide or arrange for services on a pre-paid basis through designated providers. Most of the contracts with carriers that provide fee-for-service benefits are *experience-rated*, with the amount contributed by and for participants affected by, among other things, the number and size of claims. Most HMO contracts are *community-rated*, so that the amount of profit and administrative expenses charged to the Federal Employees Health Benefits (FEHB) Program by the carrier can be no more than what is allowed in the large group market overall.

On December 20, 2006 President Bush signed into law the Postal Accountability and Enhancement Act (the Postal Act), P.L. 109-435. Title VIII of the Postal Act made significant changes in the laws dealing with CSRS benefits and the funding of retiree health benefits for employees of the U.S. Postal Service (USPS). The Postal Act required the USPS to make scheduled payments to the Postal Service Retiree Health Benefits (PSRHB) Fund. The PSRHB Fund is included in the Health Benefits Program.

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

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

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

B. BASIS OF ACCOUNTING AND PRESENTATION

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of OPM as required by the CFO Act and GMRA. These financial statements have been prepared from the books and records of OPM in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and Office of Management and Budget (OMB) Circular No. A-136, "*Financial Reporting Requirements*." GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal Government. These financial statements present proprietary and budgetary information and are pursuant to OMB directives. OPM prepares additional financial reports that are used to monitor and control OPM's use of budgetary resources.

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.

The financial statements should be read with the realization they are for a component of the United States Government, a sovereign entity. An implication of this is that liabilities cannot be liquidated absent legislation that provides the legal authority and resources to do so. The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

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. FINANCIAL STATEMENT CLASSIFICATIONS

Entity vs. 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 general public. All OPM assets are entity assets.

Funds from Dedicated Collections
Statement of Federal Financial Accounting Standards (SFFAS) No. 27 as amended by SFFAS No. 43 requires disclosure of all Funds from Dedicated Collections for which the reporting entity has program management responsibility. Generally, funds from Dedicated Collections are financed specifically by identified revenues, provided to the Government by non-federal sources, often supplemented by other financing sources, which remain available over time. OPM does not have any funds from Dedicated Collections.

Intragovernmental and Other Balances
Throughout these financial statements, intragovernmental assets, liabilities, revenues and costs have been classified according to the type of entity with which the transactions are associated. OPM classifies as intragovernmental those transactions with other Federal entities. In accordance with Federal accounting standards, OPM classifies employee contributions to the Retirement, Health Benefits and Life Insurance Programs as exchange revenues "from the public." OPM's entire 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. On the accompanying consolidated Statements of Net Cost and in other notes to OPM's financial statements, OPM reports there are no intragovernmental gross costs to provide retirement, health and life insurance benefits, with the exception of bad debt expense related to accounts receivable allowance for the United States Postal Service.

Exchange vs. Non-exchange Revenue
Per SFFAS No. 7 *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, exchange or earned 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 revenues are classified as exchange revenues. 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 revenues, since they represent exchanges of money and services in return for current and future benefits. The consolidated Statements of Net Cost provides users with the ability to ascertain whether OPM's exchange revenues are sufficient to cover the total cost it has incurred to provide Retirement, Health, and Life Insurance benefits.

Liabilities Covered by Budgetary Resources
OPM has no authority to liquidate a liability, unless budgetary resources have been appropriated and made available through legislation. Where budgetary resources have not been made available, the liability is disclosed as being "not covered by budgetary resources." 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." With minor exception, all other OPM liabilities are disclosed as being "covered by budgetary resources."

Net Position
OPM's Net Position is classified into two separate balances: the Cumulative Results of Operations comprising 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. The Statements of Changes in Net Position separately disclose other financing sources including appropriations, net cost of operations, and cumulative results of operations.

Obligated vs. Unobligated Balance
OPM's Combined and Combining Statements of Budgetary Resources present the unobligated and obligated balances as of the end of the fiscal year. The obligated balance reflects the budgetary resources against which OPM has incurred obligations. The unobligated balance is the portion of budgetary resources against which OPM has not yet incurred obligations.

Direct vs. Reimbursable Obligations
Direct obligations are incurred and paid immediately. A reimbursable obligation reflects the costs 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.

E. NET COST OF 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.

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. The following table associates OPM's gross cost by Program to its responsibility segments.

Program	Responsibility Segment
Retirement Program	Provide CSRS Benefits Provide FERS Benefits
Health Benefits Program	Provide Health Benefits
Life Insurance Program	Provide Life Insurance Benefits
Revolving Fund Programs Salaries and Expenses	Provide HR Services

Earned Revenue
OPM has two major sources of earned revenues: Earnings on its investments and the Contributions to the Retirement, Health Benefits and Life Insurance Programs by and for participants.

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 Actuaries

has determined that the service-cost for most or "regular" CSRS participants is 42.1 percent and 38.5 percent of basic pay for FY 2020 and FY 2019, respectively. For FERS, the service cost for most or "regular" FERS participants is 18.5 percent and 16.7 percent of basic pay for FY 2020 and FY 2019, respectively. Different service-costs apply for participants under FERS-RAE, FERS-FRAE, 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, with the exception of 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 2020 and FY 2019. The combined 14.0 percent of pay does not cover the service cost of a CSRS benefit. To lessen the shortfall, the U.S. Department of Treasury (Treasury) was required by statute to transfer an amount annually from the General Fund of the United States to the CSRDF [See Note 1G.]; for FY 2020 and FY 2019, this amount was $34.7 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 was 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 2020 and FY 2019, this amount was $11.1 billion and $9.3 billion, respectively. There are currently three FERS participant contribution rates:

1. When FERS started: the FERS participant contribution rate is equal to the CSRS participant contribution rate less the prevailing Old Age Survivor and Disability Insurance deduction rate (0.8 percent for most participants for FY 2020 and FY 2019).
2. For participants entering service during calendar year 2013, the Middle Class Tax Relief and Job Creation Job Act of 2012, P.L. 112-96, Section 5001 – Federal Employees Retirement, increased by 2.3 percent the employee pension. The employees covered by P.L. 112-96 are referred to as "FERS-Revised Annuity Employees (FERS-RAE)." As noted above, due to P.L. 112-96, for most FERS-RAE participants, the participant contribution rate is 3.1 percent of pay.
3. Section 401 of the "Bipartisan Budget Act of 2013," signed into law by the President on December 26, 2013, P.L. 113-67, Sec. 401, made another change to the FERS and added another group to FERS coverage, "FERS-Further Revised Annuity Employees (FERS-FRAE). Beginning January 1, 2014, new employees (as designated in the statute) are required to pay an even higher employee contribution rate, an increase of 1.3 percent of salary above the percentage set for the FERS-RAE. 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 (with the exception of the PSRHB Fund) is funded on a "pay-as-you-go" basis, with both participants and their employing agencies making contributions on approximately a one-quarter to three-quarters basis; 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 contributions for the post-Retirement coverage of their active employees.

Life Insurance Program
The Program is funded on a "pay-as-you-go" basis, with both participants and their employing agencies making contributions to Basic life insurance coverage, generally on a two-thirds to one-third basis; OPM contributes the "employer" share for Retirement Program annuitants via an appropriation. The Program is funded using the "level premium" method, where contributions paid by and for participants remain fixed until age 65 but overcharge during early years of coverage to compensate for higher rates of expected outflows at later years. A small portion, 0.02 percent of the pay of participating employees in FY 2020 and FY 2019, 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 of time. Receipts derived from operations are, by law, available in their entirety for use of the fund without further action by Congress. Since the Revolving Fund's Programs charge full cost, customer-agencies do not recognize imputed costs. OPM provides receiving entities of such services with full cost information through billings based on reimbursable agreements for services rendered. Examples of OPM Revolving Fund Programs include USAJOBS and Human Resource Solutions.

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

G. FINANCING SOURCES OTHER THAN EARNED REVENUE

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

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

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

H. BUDGETARY RESOURCES

Budgetary resources reflect OPM's authority to incur obligations that will result in the outlay of monies. 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.

Appropriations

By an act of Congress, OPM receives budgetary resources in the form of appropriations that allow it to incur obligations to pay (1) the Government's share of the cost of health and life insurance benefits for Retirement Program annuitants and (2) in part, the administrative and operating expenses of OPM. In addition, the U.S. Treasury General Fund transfers an amount annually to the OPM CSRDF to subsidize, in part, the under-funding 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 expired.

Trust Fund Receipts

The amounts collected by OPM and credited to the CSRDF generate budgetary resources in the form of trust fund receipts. Trust fund receipts are considered to be immediately appropriated and available to cover the valid obligations of the Retirement Program 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 2020 the PSRHB funds are used to pay annual premium costs for the USPS post-1971 current annuitants [See Note 10].

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 in excess of obligations incurred is brought forward into the subsequent fiscal year, but is generally unavailable for obligation.

I. FUND BALANCE WITH TREASURY

Fund Balance with Treasury (FBWT) comprises the aggregate total of OPM's unexpended, uninvested balances in its appropriation, trust, revolving, and trust revolving accounts. All of OPM's collections are deposited into and its expenditures paid from one of its FBWT accounts. OPM invests FBWT balances associated with the Retirement, Health Benefits, and Life Insurance Programs that are not immediately needed to cover expenditures.

J. INVESTMENTS

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. Retirement 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 Government account series (GAS) securities that are issued by the Treasury at par-value, with a yield equaling the average of all marketable Public Debt securities with four or more years to maturity.

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

Health Benefits and Life Insurance Programs' monies also 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.

Investments are stated at original acquisition cost, net of amortized premium and discount. Premiums and discounts are amortized into interest income over the term of the investment, using the interest method.

K. ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of amounts owed to OPM by Federal entities ("intragovernmental") and amounts owed by the public ("from the public"). The balance of accounts receivable from the public is stated net of an allowance for uncollectible amounts, which is based on past collection experience and an analysis of outstanding amounts. In FY 2020, in accordance with Technical Bulletin 2020-1, *Loss Allowance Intra Governmental Receivables*, OPM is recording a loss allowance for USPS receivable related to PSRHB, CSRS, and FERS (Note 4). In addition, OPM is recording a change in accounting principles on the Statement of Changes in Net Position (SCNP). The circumstances with USPS are considered unique, generally OPM considers intragovernmental accounts receivables collectible.

L. OTHER ASSETS

This represents the balance of assets held by the experience-rated carriers participating in the Health Benefits Program and by the Life Insurance Program carrier, pending disposition on behalf of OPM. As of September 30, 2020 and 2019, Other Assets - Non-intragovernmental for the Health Program and Life Programs were $264 million and $657 million, respectively.

M. GENERAL PROPERTY PLANT AND EQUIPMENT

OPM capitalizes major long-lived software and equipment. Software costing over $500,000 is capitalized at the cost of either purchase or development and is amortized using a straight-line method over a useful life of five years. Equipment costing over $25,000 is capitalized at purchase cost and depreciated using the straight-line method over five years. The cost of minor purchases, repairs and maintenance is expensed as incurred.

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.

Consistency in historical rates used to calculate the average historical Treasury rates from one reporting period to the next

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

OPM's actuaries use a 10-year measuring period for determining the yield curve, taking the 40-quarter arithmetical average of spot rates for zero-coupon Treasuries measured through March 31 of the current fiscal year. OPM's measuring period methodology has been in place under SFFAS No. 33 since FY 2010. The March 31 ending date was selected based on the publication dates of source material in order 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. CUMULATIVE RESULTS OF OPERATIONS

The balance of OPM's Cumulative Results of Operations is negative because of the recognition of actuarial liabilities that will be liquidated in future periods.

Q. 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.

R. PARENT-CHILD REPORTING ALLOCATION TRANSFER

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

S. 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.

2. Fund Balance with Treasury

Status of Fund Balance with Treasury
OPM's unexpended balances are comprised of its FBWT and its investments (at par, net of original discount). The following table presents portions of OPM's temporary reductions, unexpended balances that are obligated, unobligated and precluded from obligation at September 30, 2020 and 2019.

September 30, 2020 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
UNEXPENDED BALANCES					
FBWT	$21	$1,601	$11	$548	$2,181
Investments	962,083	69,959	48,701	-	1,080,743
Total, Unexpended Balance	**$962,104**	**$71,560**	**$48,712**	**$548**	**$1,082,924**
STATUS OF FUND BALANCES					
Unobligated:					
Available	-	-	-	363	$363
Unavailable	-	26,339	47,753	459	74,551
Obligated not yet Disbursed	8,102	3,342	959	(274)	12,129
Precluded (See Note 10)	953,999	41,868	-	-	995,867
Temporary Reduction & Rounding	3	11	-	-	14
Total, Status of Fund Balances	**$962,104**	**$71,560**	**$48,712**	**$548**	**$1,082,924**

September 30, 2019 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
UNEXPENDED BALANCES					
FBWT	$21	$1,552	$11	$1,770	$3,354
Investments	939,703	72,131	47,742	-	1,059,576
Total, Unexpended Balance	**$939,724**	**$73,683**	**$47,753**	**$1,770**	**$1,062,930**
STATUS OF FUND BALANCES					
Unobligated:					
Available	-	-	-	$1,456	$1,456
Unavailable	-	24,960	46,852	361	72,173
Obligated not yet Disbursed	7,940	4,101	901	(47)	12,895
Precluded (See Note 10)	931,780	44,611	-	-	976,391
Temporary Reduction & Rounding	4	11	-	-	15
Total, Status of Fund Balances	**$939,724**	**$73,683**	**$47,753**	**$1,770**	**$1,062,930**

3. Investments

All of OPM's investments are in securities issued by other Federal entities and are therefore classified as intragovernmental. See Note 1J for further explanation, including the amortization method. All of OPM's investments are in Treasury and FFB securities held by trust funds - the Retirement, Health Insurance, and Life Insurance Programs. The Federal Government does not set aside assets to pay future benefits or other expenditures associated with the trust funds.

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

Treasury securities provide OPM with authority to draw upon the Treasury to make future benefit payments or other expenditures. When OPM requires redemption of these Treasury securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, borrowing from the public, repaying less debt, or curtailing other expenditures. This is the same way the Government finances all other expenditures. When a security is redeemed and not carried to maturity, there is a risk that the fund could receive less value in return for the security it gave up. The Health Benefit and Life Insurance funds had approximately $120 billion and $121 billion invested as of September 30, 2020 and 2019, respectively, the majority of which are market-based and have market value risk.

The following tables summarize OPM's investments by Program, all trust funds, at the end of September 2020 and 2019.

As of September 30, 2020 ($ in millions)	Cost	Amortized Discount/ (Premium)	Interest Receivable	Investments, Net	Unamortized Discount/ (Premium)	Market Value
Intragovernmental:						
Retirement Program						
Marketable:						
FFB Securities	$7,262	-	$48	$7,310	-	$7,262
Non-Marketable: (PAR)						
Par-value GAS securities	901,995	-	5,727	907,722	-	901,995
Certificates of Indebtedness	52,826	-	6	52,833	-	52,826
Total Retirement Program	**$962,083**	**-**	**$5,781**	**$967,865**	**-**	**$962,083**
Health Benefits Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$28,218	$67	$47	$28,332	$(45)	$28,965
Non-Marketable: (PAR)						
Par-value GAS securities	41,868	-	264	42,132	-	41,868
Certificates of Indebtedness	-	-	-	-	-	-
Total Health Benefits Program	**70,086**	**67**	**311**	**70,464**	**(45)**	**70,833**
Life Insurance Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	49,250	84	130	49,464	205	50,927
Total Life Insurance Program	49,250	84	130	49,464	205	50,927
Total Investments	**$1,081,419**	**$151**	**$6,222**	**$1,087,793**	**$160**	**$1,083,843**

As of September 30, 2019 ($ in millions)	Cost	Amortized Discount/ (Premium)	Interest Receivable	Investments, Net	Unamortized Discount/ (Premium)	Market Value
Intragovernmental:						
Retirement Program						
Marketable:						
FFB Securities	$8,809	-	$60	$8,869	-	$8,809
Non-Marketable: (PAR)						
Par-value GAS securities	884,448	-	6,335	890,783	-	884,448
Certificates of Indebtedness	46,446	-	2	46,448	-	46,446
Total Retirement Program	**$939,703**	**-**	**$6,397**	**$946,100**	**-**	**$939,703**
Health Benefits Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$27,550	$62	$44	$27,656	$(190)	$27,963
Non-Marketable: (PAR)						
Par-value GAS securities	44,611	-	306	44,917	-	44,611
Certificates of Indebtedness	-	-	-	-	-	-
Total Health Benefits Program	**$72,161**	**$62**	**$350**	**$72,573**	**$(190)**	**$72,574**
Life Insurance Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$48,101	$(179)	$126	$48,048	$(276)	$48,578
Total Life Insurance Program	$48,101	$(179)	$126	$48,048	$(276)	$48,578
Total Investments	**$1,059,965**	**$(117)**	**$6,873**	**$1,066,721**	**$(466)**	**$1,060,855**

4. Accounts Receivable, Net

Intragovernmental

The balances comprising OPM's intragovernmental accounts receivable as of September 30, 2020 and 2019 are reported in the following table.

September 30, 2020 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Employer contributions receivable	$13,390	$52,988	$31	-	$66,409
Other	-	-	-	51	51
Allowance	(11,388)	(51,865)			(63,253)
Total	**$2,002**	**$1,123**	**$31**	**$51**	**$3,207**

September 30, 2019 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Employer contributions receivable	$9,632	$48,129	$23	-	$57,784
Other	-	-	-	143	143
Allowance	-	-	-	-	-
Total	**$9,632**	**$48,129**	**$23**	**$143**	**$57,927**

P.L. 109-435 requires the USPS to make scheduled payment contributions to the PSRHB Fund ranging from approximately $5.4 billion to $5.8 billion no later than September 30 per year from FY 2007 through FY 2016. For periods after FY 2016, USPS is required to pay amounts determined by OPM, and normal and amortization payments of approximately $4.7 billion due in September 2020 and $4.6 billion due September 2019 according to the legislation. OPM has not received annual payments from FY 2011 through FY 2020. A total of $51.9 billion is due from USPS as of September 30, 2020. In addition, Section 8348 (h) and Section 8423 (b) of Title 5, U.S.C., requires USPS to make annual contributions to the Civil Service Retirement and Disability Fund (CSRDF) for both CSRS and FERS. As of September 30, 2020 total contributions owed was $11.4 billion, of which $8.2 billion was owed for FY 2014 through FY 2019. In accordance with SFFAS 1 and Technical Bulletin 2020-1 *Allowance for Intragovernmental Receivables*, OPM considers the $63.3 billion owed by USPS as an allowance of doubtful accounts in FY 2020 due to USPS budget constraints. The additional line added to the FY 2019 table above is for comparative purposes. All other intragovernmental receivables are considered collectible.

From the Public

The balances comprising the accounts receivable OPM classifies as "from the public" at September 30, 2020 and 2019 are presented, in the following table. See Note 1K for the methodology used to determine the allowance.

September 30, 2020 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Participant contributions receivable	$255	$1,177	$210	-	$1,642
Overpayment of benefits [net of allowance of $114]	308	-	-	-	308
Due from carriers [net of allowance of $0]	-	33	-	-	33
Other	-	-	-	-	
Total	**$563**	**$1,210**	**$210**	**-**	**$1,983**

September 30, 2019 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Participant contributions receivable	$192	$1,066	$185	-	$1,443
Overpayment of benefits [net of allowance of $110]	310	-	-	-	310
Due from carriers [net of allowance of $0]	-	77	-	-	77
Other	-	-	-	-	-
Total	**$502**	**$1,143**	**$185**	**-**	**$1,830**

Included in the Receivable from the Public are criminal restitution orders. As of September 30, 2020, the Retirement Program and the Health Benefits Program had a balance of $58.4 million for criminal restitution orders. As of September 30, 2019, the Retirement Program and the Health Benefits Program had a balance of $65.0 million for criminal restitution orders.

5. Federal Employee Benefits

A. PENSIONS

OPM's actuary, 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.

Economic Assumptions

The economic assumptions used to calculate the Pension Liability and related Pension Expense under SFFAS No. 33 are based on 10-year historical averages. See Note 1 O for further information. These economic assumptions differ from those established by OPM under guidance from the CSRS Board of Actuaries for the determination of certain statutory funding payments for CSRS and FERS. The following presents the significant economic assumptions used under SFFAS No. 33 to compute the Pension Liability in FY 2020 and FY 2019.

Economic Assumptions	FY 2020		FY 2019	
	CSRS	FERS	CSRS	FERS
Interest rate	2.7%	3.3%	2.9%	3.5%
Cost of Living Adjustment*	1.7%	1.5%	1.6%	1.3%
Rate of increases in salary	1.2%	1.2%	1.1%	1.1%

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

Pension Expense

The following tables present Pension Expense by cost component for September 30, 2020 and 2019.

FY 2020 ($ in millions)	CSRS	FERS	TOTAL
Normal cost	$2,029	$39,584	41,613
Interest cost	30,377	31,666	62,043
Actuarial (Gain)/Loss - Experience	756	15,099	15,855
Actuarial (Gain)/Loss - Assumptions	29,802	54,612	84,414
Pension Expense	**$62,964**	**$140,961**	**$203,925**

FY 2019 ($ in millions)	CSRS	FERS	TOTAL
Normal cost	$2,483	$38,788	$41,271
Interest cost	31,884	30,677	62,561
Actuarial (Gain)/Loss - Experience	9,215	3,157	12,372
Actuarial (Gain)/Loss - Assumptions	11,221	(506)	10,715
Pension Expense	**$54,803**	**$72,116**	**$126,919**

Pension Liability

The following tables present the Pension Liability at September 30, 2020 and 2019.

FY 2020 ($ in millions)	CSRS	FERS	TOTAL
Pension Liability at October 1, 2019	$1,081,100	$895,600	$1,976,700
Plus: Pension Expense	-	-	-
Normal Cost	2,029	39,584	41,613
Interest on the Liability Balance	30,377	31,666	62,043
Actuarial (Gain)/Loss:	-	-	-
From experience:	756	15,099	15,855
From changes in actuarial assumptions:	29,802	54,612	84,414
Net (Gain)/Loss	30,558	69,711	100,269
Total Expense:	**$62,964**	**$140,961**	**$203,925**
Less: Costs applied to Pension Liability	(69,764)	(21,161)	(90,925)
Pension Liability at September 30, 2020	**$1,074,300**	**$1,015,400**	**$2,089,700**

FY 2019 ($ in millions)	CSRS	FERS	TOTAL
Pension Liability at October 1, 2018	$1,096,300	$842,200	$1,938,500
Plus: Pension Expense			
Normal Cost	2,483	38,788	41,271
Interest on the Liability Balance	31,884	30,677	62,561
Actuarial (Gain)/Loss:			
From experience:	9,215	3,157	12,372
From changes in actuarial assumptions:	11,221	(506)	10,715
Net (Gain)/Loss	20,436	2,651	23,087
Total Expense:	**$54,803**	**$72,116**	**$126,919**
Less: Costs applied to Pension Liability	(70,003)	(18,716)	(88,719)
Pension Liability at September 30, 2019	**$1,081,100**	**$895,600**	**$1,976,700**

Costs Applied to the Pension Liability

In accordance with Federal accounting standards, the Pension Liability is reduced by the total operating costs of the Retirement Program. The following table presents the costs applied to the Pension Liability in FY 2020 and 2019.

FY 2020 ($ in millions)	CSRS	FERS	TOTAL
Annuities	$69,432	$20,900	$90,332
Refunds of contributions	220	193	413
Administrative and other expenses	112	68	180
Costs applied to the Pension Liability	**$69,764**	**$21,161**	**$90,925**

FY 2019 ($ in millions)	CSRS	FERS	TOTAL
Annuities	$69,680	$18,499	$88,179
Refunds of contributions	218	165	383
Administrative and other expenses	105	52	157
Costs applied to the Pension Liability	**$70,003**	**$18,716**	**$88,719**

B. POST-RETIREMENT HEALTH BENEFITS

OPM's actuary, 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.

Economic Assumptions

The following presents the significant economic assumptions used to compute the PRHB Liability and related expense as of the September 30 measurement date.

Economic Assumptions	FY 2020	FY 2019
Interest rate(1)	3.4%	3.5%
Increase in per capita cost of covered benefits(2)	4.4%	4.4%
Ultimate medical trend rate	3.2%	3.1%

1 The single equivalent annual interest rate for FY 2020 is derived from a yield curve based on the average of the last 40 quarters through March 2020. The single equivalent annual interest rate for FY 2019 is derived from a yield curve based on the average of the last 40 quarters through March 2019.

2 The single equivalent increase in per capita cost of covered benefits for FY 2020 represents a variable trend which begins at 4.6% and then declines to 3.2% by FY 2075. Last year, the single equivalent increase in per capita cost of covered benefits represented a variable trend that began at 4.6%, and ultimately declined to 3.1%.

PRHB Expense

The following presents the PRHB Expense by cost component for September 30, 2020 and 2019.

($ in millions)	FY 2020	FY 2019
Normal cost	$17,816	$15,853
Interest cost	14,077	14,063
Actuarial (Gain)/Loss - Experience	(16,711)	6,389
Actuarial (Gain)/Loss - Assumptions	4,363	(8,830)
PRHB Expense	**19,545**	**$27,475**

PRHB Liability

The following table presents the PRHB Liability at the September 30, 2020 measurement date.

($ in millions)	FY 2020	FY 2019
PRHB Liability at the beginning of the year	$402,201	$390,638
Plus: PRHB Expense		
Normal Cost	17,816	15,853
Interest on the Liability Balance	14,077	14,063
Actuarial (Gain)/Loss:		
From experience:	(16,711)	6,389
From assumption changes:	4,362	(8,830)
Net (Gain)/Loss	**(12,348)**	**(2,441)**
Total Expense:	**$19,545**	**$27,475**
Less: Costs applied to PRHB Liability	(16,292)	(15,912)
PRHB Liability at the end of the year	**$405,454**	**$402,201**

Costs Applied to PRHB Liability

In accordance with Federal accounting standards, OPM reduces the PRHB Liability by applying certain Program costs. The following table presents the costs applied to the PRHB Liability in FY 2020 and FY 2019.

($ in millions)	FY 2020	FY 2019
Current benefits	$12,671	$11,189
Premiums	2,244	2,208
Administrative and other expenses	1,377	2,515
Total costs applied to the PRHB Liability	**$16,292**	**$15,912**

Effects of Assumptions

The increase in the per capita cost of covered benefits assumed by OPM's actuaries has a significant effect on the amounts reported as the PRHB Liability and associated expense. A one percentage point change in the per capita cost of covered benefits assumption would have the following effects in FY 2020 and 2019.

($ in millions)	FY 2020		FY 2019	
	One Percent Increase	One Percent Decrease	One Percent Increase	One Percent Decrease
PRHB Liability	$465,952	$355,223	$463,573	$351,088

FY 2020			
Per Capita Normal Cost at Valuation Date		One Percent Increase	One Percent Decrease
Postal	$9,146	$11,667	$7,203
Non Postal*	$8,293	$10,675	$6,474

FY 2019			
Per Capita Normal Cost at Valuation Date		One Percent Increase	One Percent Decrease
Postal	$8,488	$10,798	$6,705
Non Postal*	$7,535	$9,680	$5,893

*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).

The valuation date for the FY 2019 calculation was 9/30/2018 and a manual roll forward method was used to estimate the liability at 9/30/2019. The valuation date for the FY 2020 calculation is 9/30/2020, as the valuation program now estimates the 9/30/2020 population and allows for a 9/30/2020 valuation date.

C. LIFE INSURANCE

Actuarial Life Insurance Liability

The Actuarial Life Insurance Liability (ALIL) is the expected present value (EPV) of future benefits to be paid to, or on behalf of, existing Life Insurance Program participants, less the EPV of future contributions to be collected from those participants. In applying SFFAS 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 2020 and FY 2019. This entails the determination of a single equivalent interest rate that is specific to the ALIL.

ALIL Interest Rate	FY 2020	FY 2019
Interest rate	3.1%	3.3%
Rate of increases in salary	1.2%	1.1%

Life Insurance Expense

The following presents the Life Insurance Expense by cost component for FY 2020 and 2019.

($ in millions)	FY 2020	FY 2019
New Entrant Expense	$433	$480
Interest Cost	1,767	1,830
Actuarial (Gain)/Loss – Experience	94	(407)
Actuarial (Gain)/Loss – Assumptions	1,072	(1575)
Life Insurance Expense	**$3,366**	**$328**

Future Life Insurance Benefit Expense

The following presents the Future Life Insurance Benefits Expense for FY 2020 and FY 2019.

($ in millions)	FY 2020	FY 2019
Life Insurance Expense	$3,366	$328
Less: Net Costs applied to Life Insurance liability	(595)	(576)
Future Life Insurance Benefits Expense	**$2,771**	**($248)**

Actuarial Life Insurance Liability

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

($ in millions)	FY 2020	FY 2019
Actuarial LI Liability at the beginning of the year	$53,615	$53,863
Plus: Expense		
New Entrant Expense	433	480
Interest on the Liability Balance	1,767	1,830
Actuarial (Gain)/Loss:		
From experience:	94	(407)
From assumption changes:	1,072	(1575)
Net (Gain)/Loss:	**1,166**	**(1,982)**
Total LI Expense:	**$3,366**	**$328**
Less: Costs applied to Life Insurance Liability	(595)	(576)
Actuarial LI Liability at the end of the year	**$56,386**	**$53,615**

As of 9/30/2020, the total amount of FEGLI insurance in-force is estimated at $726.7 billion ($621.8 billion employees + $104.9 billion annuitants)

6. Intragovernmental and Other Liabilities

The following liabilities are classified as "Intragovernmental" on the Balance Sheet as of September 30, 2020 and 2019.

September 30, 2020 ($ in millions)	Accounts Payable	Other	Total
Retirement	$40		$40
Health Benefits	334		334
Life Insurance	12		12
Revolving Fund	-	248	248
Salaries and Expenses	-	3	3
Eliminations	(127)	(3)	(130)
Total Intragovernmental Liabilities	**$259**	**$248**	**$507**

September 30, 2019 ($ in millions)	Accounts Payable	Other	Total
Retirement	$31	-	$31
Health Benefits	329	-	329
Life Insurance	12	-	12
Revolving Fund	-	686	686
Salaries and Expenses	-	3	3
Eliminations	(112)	(5)	(117)
Total Intragovernmental Liabilities	**$260**	**$684**	**$944**

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 amount of contributions by or on behalf of employee-participants that were remitted to OPM by the employing agencies (which remittances came from the respective agencies' appropriations), OPM has neither the legal responsibility nor the legal authority to reimburse the TJF. The U.S. Treasury continues to assert that OPM is liable to reimburse the TJF for the amount of the judgments/settlements. In FY 2012 OPM disputed Treasury's position in accordance with the Intragovernmental Dispute Resolution process. In the interim, OPM has accrued $259 million as of September 30, 2020, and $260 million as of September 30, 2019 in Intragovernmental and other Liabilities.

The following liabilities, all current and "with the public," are classified as "other" on the Balance Sheet as of September 30, 2020 and 2019.

September 30, 2020 ($ in millions)	Withheld from Benefits	Accrued Carrier Liabilities Other Than Benefits	Accrued Administrative Expense	Contingencies	Total
Retirement Program	$1,062	-	-	$96	$1,158
Health Benefits Program	-	162	-	-	162
Life Insurance Program	-	51	-	-	51
Revolving Fund Program	-	-	18	-	18
Salaries and Expenses	-	-	39	-	39
Total Other Liabilities	**$1,062**	**$213**	**$57**	**$96**	**$1,428**

September 30, 2019 ($ in millions)	Withheld from Benefits	Accrued Carrier Liabilities Other Than Benefits	Accrued Administrative Expense	Contingencies	Total
Retirement Program	$1,022	-	-	$95	$1,117
Health Benefits Program	-	222	-	-	222
Life Insurance Program	-	23	-	-	23
Revolving Fund Program	-	-	92	-	92
Salaries and Expenses	-	-	31	1	32
Total Other Liabilities	**$1,022**	**$245**	**$123**	**$96**	**$1,486**

7. Commitments and Contingencies

OPM is party to various administrative proceedings, legal actions, and claims. For legal actions where the Office of General Counsel considers adverse decisions "probable" or "reasonable possible" and the amounts are reasonably estimable, information is disclosed below. The amounts as of September 30, 2020 and 2019 are presented in the following table.

September 30, 2020	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2020			
Legal Contingencies:			
Probable	$96	$96	$602
Reasonably Possible		16	98
FY 2019			
Legal Contingencies:			
Probable	$96	$96	$607
Reasonably Possible		16	93

8. Intragovernmental Gross Costs and Earned Revenue

The following table presents the portion of OPM's gross costs and earned revenue that was classified as intragovernmental and "with the public" for September 30, 2020 and 2019.

September 30, 2020 ($ in millions)	GROSS COSTS			EARNED REVENUE		
	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total
CSRS Benefits	1,817	$33,162	$34,979	$7,254	$443	$7,697
FERS Benefits	1,343	86,349	87,692	58,402	4,416	62,818
Health Benefits	4,660	54,399	59,059	28,620	17,239	45,859
Life Insurance Benefits	-	5,093	5,093	1,596	3,138	4,734
Human Resources Services	$474	561	1,035	805	6	811
Eliminations	(352)	-	(352)	(352)	-	(352)
Total	**$7,942**	**$179,564**	**$187,506**	**$96,325**	**$25,242**	**$121,567**

September 30, 2019 ($ in millions)	GROSS COSTS			EARNED REVENUE		
	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total
CSRS Benefits	-	$43,582	$43,582	$8,372	$544	$8,916
FERS Benefits	-	72,622	72,622	51,679	3,867	55,546
Health Benefits	-	75,789	75,789	28,004	16,683	44,687
Life Insurance Benefits	-	4,589	4,589	1,452	3,030	4,482
Human Resources Services	$631	1,927	2,558	2,951	6	2,957
Eliminations	(420	-	(420)	(420)	-	(420)
Total	**$211**	**$198,509**	**$198,720**	**$92,038**	**$24,130**	**$116,168**

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

9. Net Cost by Strategic Goals

OPM began implementing a new strategic plan for FY 2018 - 2022. This new plan that was released in February 2018 is more focused than previous plans and contains three strategic goals and one operational excellence goal to improve both program operations and management functions. 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."

OPM's Mission Statement: We lead and serve the Federal Government in enterprise human resources management by delivering policies and services to achieve a trusted effective civilian workforce.	
Strategic Goal	**Goal Statement**
GOAL 1	Transform hiring, pay, and benefits across the Federal Government to attract and retain the best civilian workforce
GOAL 2	Lead the establishment and modernization of human capital information technology and data management systems and solutions
GOAL 3	Improve integration and communication of OPM services to Federal agencies to meet emerging needs
GOAL 4	Optimize agency performance

FY 2020 Strategic Goals (In Millions)		Provide CSRS Benefits	Provide FERS Benefits	Provide Health Benefits	Provide Life Insurance Benefits	Provide Human Resource Services	Total
Goal 1	Total program cost	$9	$7	$12	$1	$15	**$44**
	Less earned revenue	-	-	-	-	10	**10**
	Net program cost	9	7	12	1	5	**34**
Goal 2	Total program cost	-	-	-	-	8	**8**
	Less earned revenue					5	**5**
	Net program cost	-	-	-	-	3	**3**
Goal 3	Total program cost	-	-	-	-	16	**16**
	Less earned revenue	-	-	-	-	11	**11**
	Net program cost	-	-	-	-	5	**5**
Goal 4	Total program cost	58	30	29	1	48	**166**
	Less earned revenue	-	-	-	-	32	**32**
	Net program cost	58	30	29	1	16	**134**
Additional Mission and Mission Support Activities	Total program cost	34,912	87,655	59,018	5,091	596	**187,272**
	Less earned revenue	7,697	62,818	45,858	4,734	401	**121,508**
	Actuarial (Gain)/Loss	29,802	54,612	4,363	1,072	-	**89,849**
	Net program cost	57,017	79,499	17,523	1,429	195	**155,613**
Totals	**Total program cost**	**34,978**	**87,692**	**59,059**	**5,093**	**683**	**187,506**
	Less earned revenue	**7,697**	**62,818**	**45,858**	**4,734**	**459**	**121,566**
	Actuarial (Gain)/Loss	**29,802**	**54,612**	**4,363**	**1,072**	**-**	**89,849**
	Net program cost	**$57,084**	**$79,486**	**$17,564**	**$1,431**	**$224**	**$155,789**

FY 2019 Strategic Goals (In Millions)		Provide CSRS Benefits	Provide FERS Benefits	Provide Health Benefits	Provide Life Insurance Benefits	Provide Human Resource Services	Total
Goal 1	Total program cost	$7	$4	$11	$1	$1,532	**$1,554**
	Less earned revenue	-	-	-	-	1,817	**1,817**
	Net program cost	7	4	11	1	(286)	**(263)**
Goal 2	Total program cost	-	-	-	-	98	**98**
	Less earned revenue	-	-	-	-	116	**116**
	Net program cost	-	-	-	-	(18)	**(18)**
Goal 3	Total program cost	-	-	-	-	147	**147**
	Less earned revenue	-	-	-	-	174	**174**
	Net program cost	-	-	-	-	(27)	**(27)**
Goal 4	Total program cost	53	28	33	2	197	**313**
	Less earned revenue	-	-	-	-	234	**234**
	Net program cost	53	28	33	2	(37)	**79**
Additional Mission and Mission Support Activities	Total program cost	43,522	72,590	75,745	4,586	165	**196,608**
	Less earned revenue	8,916	55,546	44,687	4,482	196	**113,827**
	Actuarial (Gain)/Loss	11,221	(506)	(8,830)	(1,575)	-	**310**
	Net program cost	45,827	16,538	22,228	(1,471)	(31)	**83,091**
Totals	**Total program cost**	**43,582**	**72,622**	**75,789**	**4,589**	**2,138**	**198,720**
	Less earned revenue	**8,916**	**55,546**	**44,687**	**4,482**	**2,537**	**116,168**
	Actuarial (Gain)/Loss	**11,221**	**(506)**	**(8,830)**	**(1,575)**	**-**	**310**
	Net program cost	**$45,887**	**$16,570**	**$22,272**	**$(1,468)**	**$(399)**	**$82,862**

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

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 as of September 30, 2020 and 2019 (rounding may appear):

As of September 30 ($ in millions)	2020	2019
Temporarily precluded from obligation at the beginning of the year	$931,780	$915,321
Plus: Trust fund receipts during the year	113,533	105,568
Plus: Appropriations Received	45,837	43,644
Less: Obligations Incurred during the year	137,151	132,753
Excess of trust fund receipts over obligations incurred during the year	22,219	16,459
Temporarily Precluded from Obligation at the End of the Year	**$953,999**	**$931,780**

Health Benefits and Life Insurance Programs

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

Additionally, FY 2020 and 2019 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, 2020 and 2019.

As of September 30 ($ in millions)	2020	2019
Temporarily precluded from obligation at the beginning of the year	$44,611	$47,145
Plus: Special Fund receipts during the year	1,151	1,230
Less: Obligations Incurred during the year	3,894	3,764
Excess of Special Fund receipts over obligations incurred during the year	(2,743)	(2,534)
Temporarily Precluded from Obligation at the End of the Year	**$41,868**	**$44,611**

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.

11. Apportionment Categories of Incurred Obligations

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions the Revolving Fund and Salaries and Expense account on a quarterly basis [Category A]. Most other accounts under OPM's control are apportioned annually [Category B], with the exception being the transfer-in from the U.S. Treasury General Fund to the Retirement Fund, which is not subject to, or exempt from apportionment [Category E]. The following chart details the direct and reimbursable obligations that have been incurred against each apportionment category as of September 30, during FY 2020 and 2019:

As of September 30, 2020 Program/Fund ($ in millions)	Category	Direct	Reimbursable	Total
Retirement Program	B	$91,314	-	$91,314
Retirement Program	E	45,837	-	45,837
Subtotal		**$137,151**	**-**	**$137,151**
Health Benefits Program	B	59,458	-	59,458
Health Benefits Program	E	13,186	-	13,186
Life Insurance Program	B	3,397	-	3,397
Life Insurance Program	E	42	-	42
Revolving Fund Program	B	-	506	506
Salaries and Expenses	A&B	366	230	596
Total		**$213,600**	**$736**	**$214,336**

As of September 30, 2019 Program/Fund ($ in millions)	Category	Direct	Reimbursable	Total
Retirement Program	B	$89,109	-	$89,109
Retirement Program	E	43,644	-	43,644
Subtotal	**-**	**$132,753**	**-**	**$132,753**
Health Benefits Program	B	59,197	-	59,197
Health Benefits Program	E	13,131	-	13,131
Life Insurance Program	B	3,275	-	3,275
Life Insurance Program	E	42	-	42
Revolving Fund Program	B	-	1,828	1,828
Salaries and Expenses	A&B	408	75	483
Total		**$208,806**	**$1,903**	**$210,709**

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 2022, which will contain the actual budgetary resources information for FY 2020, will be published in February 2021 and will be available on the OMB website. The President's Budget for FY 2021, which contains actual budgetary resource information for FY 2019, was released on February 10, 2020.

September 30, 2019 (in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$284,338	$210,709	$44,918	$103,138
Expired Funds	(66)	(4)	-	-
Distributed Offsetting Receipts	-	-	(44,918)	44,918
Budget of the U.S. Government	$284,272	$210,706	-	$148,056

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. Due to system limitations and constraints the vendor identification code cannot be connected to the general ledger balances at this point. The data provided for the Revolving Fund and Salaries & Expenses for FY 2020 and FY 2019 represents OPM's best estimates. Undelivered orders as of September 30, 2020 and 2019 are presented below.

Undelivered Orders (in millions)	Revolving Fund			Salaries & Expenses		
FY 2020	**Federal**	**Non-Fed**	**Total**	**Federal**	**Non-Fed**	**Total**
Unpaid	$128	$452	$580	$107	$55	$162
Paid	-	-	-	-	-	-
Total	**$128**	**$452**	**$580**	**$107**	**$55**	**$162**

Undelivered Orders (in millions)	Revolving Fund			Salaries & Expenses		
FY 2019	**Federal**	**Non-Fed**	**Total**	**Federal**	**Non-Fed**	**Total**
Unpaid	$146	$740	$886	$69	$46	$115
Paid	-	-	-	-	-	-
Total	**$146**	**$740**	**$886**	**$69**	**$46**	**$115**

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. 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.

Note 14: Reconciliation of Net Cost to Net Outlays

U. S. OFFICE OF PERSONNEL MANAGEMENT
Combined Reconciliation of Net Operating Cost and Net Budgetary Outlays
For The Periods Ended September 30, 2020
(In Millions)

As of September 30, 2020 (in millions)	Intra-governmental	With The Public	Total FY 2020
NET OPERATING COST	($88,383)	$244,172	$155,789
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	2	2
Increase/(Decrease) in Assets:			
Accounts Receivable	(54,706)	152	(54,554)
Change in Accounting Principles	55,432		55,432
Investments	(95)	-	(95)
Other:			
Appropriated Trust Fund Receipts	109,502	5,182	114,684
Other Assets	-	102	102
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	433	27	460
Salaries and Benefits	1	(201)	(200)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial Liabilities)	(11)	(118,429)	(118,440)
Other Financing Sources:			
Imputed Financing Sources	(20)	-	(20)
Financing Sources Trans out without Reimb	(511)	-	(511)
Total Components of Net Operating Cost Not Part of the Budget Outlays	110,025	(113,165)	(3,140)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Distributed Offsetting Receipts	(46,989)	(37)	(47,026)
Total Components of the Budgetary Outlays That are Not Part Net Operating Cost	(46,989)	(37)	(47,026)
NET OUTLAYS	($25,347)	$130,970	$105,623

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Note 14: Reconciliation of Net Cost to Net Outlays

U. S. OFFICE OF PERSONNEL MANAGEMENT
Combined Reconciliation of Net Operating Cost and Net Budgetary Outlays
For The Year Ended September 30, 2019
(In Millions)

As of September 30, 2019 (in millions)	Intra-governmental	With The Public	Total FY 2019
NET OPERATING COST	**($91,826)**	**$174,688**	**$82,862**
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	-	-
Increase/(Decrease) in Assets:			
Accounts Receivable	7,487	77	7,564
Investments	67	-	67
Other:			
Appropriated Trust Fund Receipts	102,026	4,771	106,797
Other Assets	-	57	57
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	656	(37)	619
Salaries and Benefits	-	(280)	(280)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial Liabilities)	2	(49,587)	(49,585)
Other Financing Sources:	-	-	
Imputed Financing Sources	(50)	-	(50)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**110,188**	**(44,999)**	**65,189**
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Distributed Offsetting Receipts	(44,874)	(39)	(44,913)
Total Components of the Budgetary Outlays That are Not Part Net Operating Cost	**(44,874)**	**(39)**	**(44,913)**
NET OUTLAYS	**($26,512)**	**$129,650**	**$103,138**

15. Health Benefits / Life Insurance Program Concentrations

During FY 2020 and FY 2019, 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.

16. COVID-19 Activity

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

Based on the above, OPM developed a CARES Act Spending Plan for fiscal years 2020 and 2021. These funds are being used to support OPM's maximum telework environment and serve OPM over the long-term as it continues efforts to modernize IT.

CARES Act Spend Plan for FY 2020 & FY 2021

September 30, 2020 (in millions)	Budgetary Resources Available
Telework Enabling/DevOps Tools	$3.8
Hardware and Software	1.0
Telecom	7.3
Total Spending Plan	**$12.1**

September 30, 2020 (in millions)	Total
Budgetary Resources Received	$12.1
Obligations Incurred:	
Obligations Undelivered	5.3
Obligations Delivered Unpaid and Paid	5.6
Unobligated Balance	1.2
Status of Budgetary Resources	$12.1

17. Reclassification of Balance Sheet, 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 appear 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 2019 FR can be found here: **https://www.fiscal.treasury.gov/reports-statements/** and a copy of the 2020 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 transaction with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

As of September 30, 2020 Office of Personnel Management Balance Sheet		Line Items Used to Prepare FY 2020 Government-wide Balance Sheet	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
ASSETS			**ASSETS**
Intragovernmental Assets			**Intragovernmental Assets**
Fund Balance with Treasury	$2,181	$2,181	FBWT
Investments	1,087,793	1,081,570	Federal Investments
		6,223	Interest Receivable - Investments
Total Investments	1,087,793	1,087,793	Total Reclassified Investments
		66,406	Benefit Program Contributions Receivable
		(63,199)	Accounts Receivable, Net
Accounts Receivable, Net	3,207	3,207	*Total Reclassified A/R*
Total Intragovernmental Assets	**$1,093,181**	**$1,093,181**	**Total Intragovernmental Assets**
Accounts Receivable from the Public, Net	1,983	1,983	Accounts Receivable, Net
General Property and Equipment, Net	5	5	General PP&E, Net
Other	921	921	Other
Total Assets	**$1,096,090**	**$1,096,090**	**Total Assets**
LIABILITIES			**LIABILITIES**
Intragovernmental	**507**		**Intragovernmental Liabilities**
		$2	Benefit Program Contributions Payable
		268	Accounts Payable
		$270	*Total Reclassified Accounts Payable*
		236	Advances from Others and Deferred Credits
		1	Other Liabilities (w/o reciprocals)
		237	*Total Reclassified Other*
Total Intragovernmental Liabilities	**$507**	**$507**	**Total Intragovernmental Liabilities**
Benefits Due and Payable	12,389		
Pension Liability	2,089,700		
Post Retirement Health Benefits Liability	405,454		
Actuarial Life Insurance Liability	56,386		
Total Federal Employee Benefits	**$2,563,929**	**$2,563,929**	**Federal Employee and Veteran Benefits Payable**
		1,376	Other
		16	Accounts Payable
Other	1,428	35	Federal Employee and Veteran Benefits Payable
Total Liabilities	**$2,565,864**	**$2,565,864**	**Total Liabilities**
NET POSITION			**NET POSITION**
Unexpended Appropriations	64	64	Unexpended Appropriations – All Other Funds
Cumulative Results of Operations	(1,469,838)	(1,469,838)	Cumulative Results of Operations – All Other Funds
Total Net Position	**$(1,469,774)**	**$(1,469,774)**	**Total Net Position**
Total Liabilities and Net Position	**$1,096,090**	**$1,096,090**	**Total Liabilities and Net Position**

As of September 30, 2020 Office of Personnel Management Statement of Net Cost		Line Items Used to Prepare FY 2020 Government-wide SNC	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
			Non-Federal Costs
Pension Expense	119,511		
Postretirement Health Benefits	15,182		
Future Life Insurance Benefits	1,699		
Current Benefits and Premiums	40,130		
Other	3,042		
Total Gross Costs with the Public	**$179,564**	**$179,564**	**Non-Federal Gross Cost**
			Intragovernmental Costs
-		1	Benefit Program Costs
-		20	Imputed Costs
-		7,893	Buy/Sell Costs
-		29	Other Expenses (w/o Reciprocals)
Intragovernmental	**$7,942**	***$7,942***	***Total Intragovernmental Costs***
Total Gross Costs	**$187,506**	***$187,506***	*Total Reclassified Gross Costs*
Total Earned Revenue with the Public	25,242	25,242	Non-Federal Earned Revenue
			Intragovernmental Revenue
Other	$514	$513	Buy/Sell Revenue
Employer Contributions	68,712	68,713	Benefit Program Revenue
Earnings on investments	27,099	27,099	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
Total Intragovernmental Earned Revenue	**$96,325**	***$96,325***	*Total Intragovernmental Earned Revenue*
Total Earned Revenue	121,567	121,567	***Total Reclassified Earned Revenue***
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	89,849	89,849	Gain/Loss on Changes in Actuarial Assumptions (Non-Federal)
Net Cost of Operations	**$155,788**	**$155,788**	**Net Cost of Operations**

As of September 30, 2020 Office of Personnel Management Statement of Changes in Net Position		Line Items Used to Prepare FY 2020 Government-wide SCNP	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
UNEXPENDED APPROPRIATIONS			
Unexpended Appropriations, Beginning Balance	$58	$58	Net Position, Beginning of Period
Appropriations Received	59,700	59,223	Appropriations Received as Adjusted
Other Adjustments	(477)		
Appropriations Used	(59,217)	(59,217)	Appropriations Used (Federal)
Total Budgetary Financing Sources	6		
Total Unexpended Appropriations - Ending Balance	**$64**	**$64**	
CUMULATIVE RESULTS OF OPERATIONS			
Cumulative Results, Beginning Balance	$(1,317,102)	(1,317,102)	Net Position, Beginning of Period
Changes in Accounting Principles	(55,433)	(55,433)	Changes in Accounting Principles
Beginning Balances, As Adjusted	(1,372,535)	(1,372,535)	
Budgetary Financing Sources			
Appropriations Used	59,217	59,217	Appropriations Used (Federal)
Transfers-In/Out Without Reimbursement	(1,259)	(1,259)	Non-Expenditure Transfers - Out of Unexpended Appropriations and Financing Sources
		511	Transfers Out without Reimbursement
		20	Imputed Financing Sources (Federal)
		(4)	Non-entity Collections Transferred to the General Fund
Other Financing Sources	$527	$527	
Total Financing Sources	**$58,485**	**$58,485**	
Net Cost of Operations	155,788	155,788	
Net Change	(97,303)	(97,303)	
Cumulative Results of Operations - Ending	(1,469,838)	(1,469,838)	Net Position - Ending Balance

CONSOLIDATING FINANCIAL STATEMENTS

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING BALANCE SHEET
As of September 30, 2020
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2020
ASSETS							
Intragovernmental:							
Fund Balance with Treasury [Note 2]	$21	$1,601	$11	$483	$65		$2,181
Investments [Note 3]	967,865	70,464	49,464	-	-		1,087,793
Accounts Receivable, Net [Note 4]	2,002	1,123	31	33	148	($130)	3,207
Total Intragovernmental	969,888	73,188	49,506	516	213	(130)	1,093,181
Accounts Receivable from the Public, Net [Note 4]	563	1,210	210	-	-		1,983
General Property and Equipment, Net	-	-	-	5	-		5
Other [Note 1L]	-	264	657	-	-		921
TOTAL ASSETS	970,451	74,662	50,373	521	213	(130)	$1,096,090
LIABILITIES							
Intragovernmental [Note 6]	$40	$334	$12	$248	$3	($130)	$507
Federal Employee Benefits:							
Benefits Due and Payable	7,005	4,327	1,057	-	-		12,389
Pension Liability [Note 5A]	2,089,700	-	-	-	-		2,089,700
Postretirement Health Benefits Liability [Note 5B]		405,454	-	-	-		405,454
Actuarial Life Insurance Liability [Note 5C]		-	56,386	-	-		56,386
Total Federal Employee Benefits	2,096,705	409,781	57,443	0	0	0	2,563,929
Other [Note 6]	1,158	162	51	18	39		1,428
TOTAL LIABILITIES	2,097,903	410,277	57,506	266	42	(130)	2,565,864
Commitments and Contingencies [Note 7]							
NET POSITION							
Unexpended Appropriations		-	-		64		64
Cumulative Results of Operations	(1,127,452)	(335,615)	(7,133)	255	107		(1,469,838)
TOTAL NET POSITION	(1,127,452)	(335,615)	(7,133)	255	171	-	(1,469,774)
TOTAL LIABILITIES AND NET POSITION	$970,451	$74,662	$50,373	$521	$213	($130)	$1,096,090

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

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING BALANCE SHEET
As of September 30, 2019
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2019
ASSETS							
Intragovernmental:							
Fund Balance with Treasury [Note 2]	$21	$1,552	$11	$1,658	$112	-	$3,354
Investments [Note 3]	946,100	72,573	48,048	-	-	-	1,066,721
Accounts Receivable, Net [Note 4]	9,632	48,129	23	146	114	($117)	57,927
Total Intragovernmental	955,753	122,254	48,082	1,804	226	(117)	1,128,002
Accounts Receivable from the Public, Net [Note 4]	502	1,143	185	-	-	-	1,830
General Property and Equipment, Net	-	-	-	3	-	-	3
Other [Note 1L]	-	164	654	-	-	-	818
TOTAL ASSETS	$956,255	$123,561	$48,921	$1,807	$226	($117)	$1,130,653
LIABILITIES							
Intragovernmental [Note 6]	$31	$329	$12	$686	$3	($117)	$944
Federal Employee Benefits:							
Benefits Due and Payable	6,894	4,841	1,016	-	-	-	12,751
Pension Liability [Note 5A]	1,976,700	-	-	-	-	-	1,976,700
Postretirement Health Benefits Liability [Note 5B]	-	402,201	-	-	-	-	402,201
Actuarial Life Insurance Liability [Note 5C]	-	-	53,615	-	-	-	53,615
Total Federal Employee Benefits	1,983,594	407,042	54,631	-	-	-	2,445,267
Other [Note 6]	1,117	222	23	92	32	-	1,486
TOTAL LIABILITIES	1,984,742	407,593	54,666	778	35	(117)	2,447,697
Commitments and Contingencies [Note 7]							
NET POSITION							
Unexpended Appropriations	-	-	-	-	58	-	58
Cumulative Results of Operations	(1,028,487)	(284,032)	(5,745)	1,029	133	-	(1,317,102)
TOTAL NET POSITION	(1,028,487)	(284,032)	(5,745)	1,029	191	-	(1,317,044)
TOTAL LIABILITIES AND NET POSITION	$956,255	$123,561	$48,921	$1,807	$226	($117)	$1,130,653

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

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING STATEMENT OF NET COST
For the Year Ended September 30, 2020
(In Millions)

	Retirement Program			Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2020
	CSRS	FERS	Total						
GROSS COSTS									
Intragovernmental	$ 1,817	$ 1,343	$ 3,160	$ 4,660	-	$105	$369	($352)	$7,942
With the Public:									
Pension Expense [Note 5A]	33,162	86,349	119,511			-	-		119,511
Postretirement Health Benefits [Note 5B]	-	-	-	15,182	-	-	-		15,182
Future Life Insurance Benefits [Note 5C]	-	-	-	-	$1,699	-	-		1,699
Current Benefits and Premiums	-	-	-	36,757	3,373	-	-		40,130
Other	-	-	-	2,460	21	372	189		3,042
Total Gross Costs with the Public	33,162	86,349	119,511	54,399	5,093	372	189	0	179,564
Total Gross Costs [Notes 8 and 9]	34,979	87,692	122,671	59,059	5,093	477	558	(352)	187,506
EARNED REVENUE									
Intragovernmental:									
Employer Contributions	2,646	38,538	41,184	27,011	578	-	-	(61)	68,712
Earnings on Investments	4,608	19,864	24,472	1,609	1,018	-	-		27,099
Other	-	-	-	-	-	446	359	(291)	514
Total Intragovernmental Earned Revenue	7,254	58,402	65,656	28,620	1,596	446	359	(352)	96,325
With the Public:									
Participant Contributions	443	4,416	4,859	17,229	3,138	-	-		25,226
Other	-	-	0	9	1	-	6		16
Total Earned Revenue with the Public	443	4,416	4,859	17,238	3,139	0	6	0	25,242
Total Earned Revenue [Notes 8 and 9]	7,697	62,818	70,515	45,858	4,735	446	365	(352)	121,567
Net Cost	27,282	24,874	52,156	13,201	358	31	193	-	65,939
(Gain)/Loss on Pension, ORB, or OPEB							0		
Assumption Changes [Notes 5A, 5B, and 5C]	29,802	54,612	84,414	4,363	1,072	-			89,849
Net Cost of Operations	57,084	79,486	136,570	17,564	1,430	31	193	-	$155,788

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

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING STATEMENT OF NET COST
For the Year Ended September 30, 2019
(In Millions)

	Retirement Program			Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2019
	CSRS	FERS	Total						
GROSS COSTS									
Intragovernmental	-	-	-	-	-	$341	$290	($420)	$211
With the Public:									
Pension Expense [Note 5A]	$43,582	$72,622	$116,204	-	-	-	-	-	116,204
Postretirement Health Benefits [Note 5B]	-	-	-	$36,305	-	-	-	-	36,305
Future Life Insurance Benefits [Note 5C]	-	-	-	-	$1,327	-	-	-	1,327
Current Benefits and Premiums	-	-	-	36,074	3,242	-	-	-	39,316
Other	-	-	-	3,410	20	1,735	192	-	5,357
Total Gross Costs with the Public	43,582	72,622	116,204	75,789	4,589	1,735	192	-	198,509
Total Gross Costs [Notes 8 and 9]	43,582	72,622	116,204	75,789	4,589	2,076	482	(420)	198,720
EARNED REVENUE									
Intragovernmental:									
Employer Contributions	2,402	32,025	34,427	26,167	553	-	-	(109)	61,038
Earnings on Investments	5,970	19,654	25,624	1,837	899	-	-	-	28,360
Other	-	-	-	-	-	2,636	315	(311)	2,640
Total Intragovernmental Earned Revenue	8,372	51,679	60,051	28,004	1,452	2,636	315	(420)	92,038
With the Public:									
Participant Contributions	544	3,867	4,411	16,675	3,028	-	-	-	24,114
Other	-	-	-	8	2	1	5	-	16
Total Earned Revenue with the Public	544	3,867	4,411	16,683	3,030	1	5	-	24,130
Total Earned Revenue [Notes 8 and 9]	8,916	55,546	64,462	44,687	4,482	2,637	320	(420)	116,168
Net Cost	34,666	17,076	51,742	31,102	107	(561)	162	-	82,552
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Notes 5A, 5B, and 5C]	11,221	(506)	10,715	(8,830)	(1,575)	-	-	-	310
Net Cost of Operations	$45,887	$16,570	$62,457	$22,272	($1,468)	($561)	$162	-	$82,862

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

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2020
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	FY 2020
UNEXPENDED APPROPRIATIONS						
Beginning Balance				$0	$58	$58
Budgetary Financing Sources:						
Appropriations Received	45,837	$13,658	$43	-	162	59,700
Other Adjustments		(472)	(1)	-	(4)	(477)
Appropriations Used	(45,837)	(13,186)	(42)	-	(152)	(59,217)
Total Budgetary Financing Sources	-	-	-	-	6	6
Total Unexpended Appropriations - Ending Balance	-	-	-	-	64	64
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balances	($1,028,487)	($284,032)	($5,745)	$1,029	$133	($1,317,102)
Adjustments:						
Changes in Accounting Principles	($8,228)	($47,205)	-	$0	$0	($55,433)
Beginning Balances, as Adjusted	($1,036,715)	($331,237)	($5,745)	$1,029	$133	($1,372,535)
Budgetary Financing Sources:						
Appropriations Used	45,837	13,186	42		152	59,217
Transfer-In/Out Without Reimbursement				(1,259)	-	(1,259)
Other Financing Sources	(4)	-	-	516	15	527
Total Financing Sources	45,833	13,186	42	(743)	167	58,485
Net Cost of Operations	136,570	17,564	1,430	31	193	155,788
Net Change	(90,737)	(4,378)	(1,388)	(774)	(26)	(97,303)
Cumulative Results of Operations - Ending Balance	($1,127,452)	($335,615)	($7,133)	$255	$107	($1,469,838)
NET POSITION	(1,127,452)	(335,615)	(7,133)	$ 255	171	($1,469,774)

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

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2019
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	FY 2019
UNEXPENDED APPROPRIATIONS						
Beginning Balance		-	-	$3	$55	$58
Budgetary Financing Sources:						
Appropriations Received	43,644	$13,264	$43	-	137	57,088
Other Adjustments	-	(133)	(1)	-	-	(134)
Appropriations Used	(43,644)	(13,131)	(42)	(3)	(134)	(56,954)
Total Budgetary Financing Sources	-	-	-	(3)	3	-
Total Unexpended Appropriations - Ending Balance	-	-	-	-	58	58
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	($1,009,670)	($274,891)	($7,255)	$437	$138	($1,291,241)
Budgetary Financing Sources:						
Appropriations Used	43,644	13,131	42	3	134	56,954
Other Financing Sources	(4)	-	-	28	23	47
Total Financing Sources	43,640	13,131	42	31	157	57,001
Net Cost of Operations	62,457	22,272	(1,468)	(561)	162	82,862
Net Change	(18,817)	(9,141)	1,510	592	(5)	(25,861)
Cumulative Results of Operations - Ending Balance	($1,028,487)	($284,032)	($5,745)	$1,029	$133	($1,317,102)
NET POSITION	($1,028,487)	($284,032)	($5,745)	$1,029	$191	($1,317,044)

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

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

U.S. OFFICE OF PERSONNEL MANAGEMENT

COMBINING STATEMENT OF BUDGETARY RESOURCES

For the Year Ended September 30, 2020

(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 2020
BUDGETARY RESOURCES									
Unobligated Balance from Prior Year Budget Authority, Net	-	-	$24,961	-	$46,851	-	$763	$104	$72,679
Appropriations	$91,314	$45,837	3,894	$13,186	-	$42	-	162	154,435
Spending Authority from Offsetting Collections	-	-	56,942		4,299	-	455	440	62,136
Total Budgetary Resources	$91,314	$45,837	$85,797	$13,186	$51,150	$42	$1,218	$706	$289,250
STATUS OF BUDGETARY RESOURCES									
New Obligations and Upward Adjustments [Note 11]	$91,314	$45,837	$59,458	$13,186	$3,397	$42	$506	$596	$214,336
Unobligated Balance, End of Year:									
Apportioned, Unexpired Accounts	-	-	-	-	-	-	322	41	363
Unapportioned, Unexpired Accounts	-	-	26,339	-	47,753	-	390	8	74,490
Expired, Unobligated Balance, End of Year	-	-	-	-			-	61	61
Total Unobligated Balance, End of Year	-	-	26,339	-	47,753	-	712	110	74,914
Total Budgetary Resources	$91,314	$45,837	$85,797	$13,186	$51,150	$42	$1,218	$706	$289,250
OUTLAYS, NET									
Outlays, Net	$91,152	$45,837	$3,318	$13,140	($957)	$42	($83)	$204	$152,653
Less: Distributed Offsetting Receipts	45,879		1,151	-	-	-	-	-	47,030
Agency Outlays, Net	$45,273	$45,837	$2,167	$13,140	($957)	$42	($83)	$204	$105,623

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

For the Year Ended September 30, 2019

(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 2019
BUDGETARY RESOURCES									
Unobligated Balance from Prior Year Budget Authority, Net	-	-	$24,667	-	$45,538	-	$1,445	$108	$71,758
Appropriations	$89,109	$43,644	3,764	$13,131	-	$42	-	137	149,827
Spending Authority from Offsetting Collections	-		55,726	-	4,589	-	2,106	332	62,753
Total Budgetary Resources	$89,109	$43,644	$84,157	$13,131	$50,127	$42	$3,551	$577	$284,338
STATUS OF BUDGETARY RESOURCES									
New Obligations and Upward Adjustments [Note 11]	$89,109	$43,644	$59,197	$13,131	$3,275	$42	$1,828	$483	$210,709
Unobligated Balance, End of Year:									
Apportioned, Unexpired Accounts	-	-	-	-	-	-	1,424	32	1,456
Unapportioned, Unexpired Accounts	-	-	24,960	-	46,852	-	299	1	72,112
Expired, Unobligated Balance, End of Year	-	-	-	-	-	-	-	61	61
Total Unobligated Balance, End of Year	-	-	24,960	-	46,852	-	1,723	94	73,629
Total Budgetary Resources	$89,109	$43,644	$84,157	$13,131	$50,127	$42	$3,551	$577	$284,338
OUTLAYS, NET									
Outlays, Net	$88,853	$43,644	$3,510	$13,110	($1,284)	$42	$47	$134	$148,056
Less: Distributed Offsetting Receipts	43,687		1,230	-	-	-	-	1	44,918
Agency Outlays, Net	$45,166	$43,644	$2,280	$13,110	($1,284)	$42	$47	$133	$103,138

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

SECTION 3

OTHER INFORMATION

Fiscal Year 2020 OIG TOP Management Challenges Report

OIG Management Challenges Report

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

October 15, 2020

MEMORANDUM FOR MICHAEL J. RIGAS
Acting Director

FROM: NORBERT E. VINT NORBERT VINT
Deputy Inspector General
Performing the Duties of the Inspector General

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DN: c=US, o=U.S. Government, ou=Office of Personnel Management, cn=NORBERT VINT, 0.9.2342.19200300.100.1.1=24001000006331
Date: 2020.10.15 20:18:37 -04'00'

SUBJECT: Fiscal Year 2021 Top Management Challenges

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 Fiscal Year 2021 Top Management Challenges, which will be included in OPM's AFR. Under section 8M of the Inspector General Act, the OIG makes redacted versions of its final reports available to the public on its webpage.

We submitted a draft report to OPM on August 21, 2020, which identified four overarching categories of challenges facing OPM - the shortfall in OPM's funding, which relates to budgetary issues impacting OPM; the financial integrity of OPM's trust funds, which impacts OPM's Federal Employees Health Benefits, Life Insurance and Retirement Programs; information technology; and OPM challenges which are Government-wide. 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

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Honorable Michael J. Rigas 2

audit or investigative support as appropriate, and that they strive to maintain an excellent working relationship with your managers.

If there are any questions, please feel free to contact me, or have someone from your staff contact Michael R. Esser, Assistant Inspector General for Audits, or Drew M. Grimm, Assistant Inspector General for Investigations, at 606-1200.

Attachment

cc: Basil L. Parker
Chief of Staff

Kathleen M. McGettigan
Chief Management Officer

Mark A. Robbins
General Counsel

Dennis D. Coleman
Chief Financial Officer

Margaret P. Pearson
Deputy Chief Financial Officer

Clare A. Martorana
Chief Information Officer

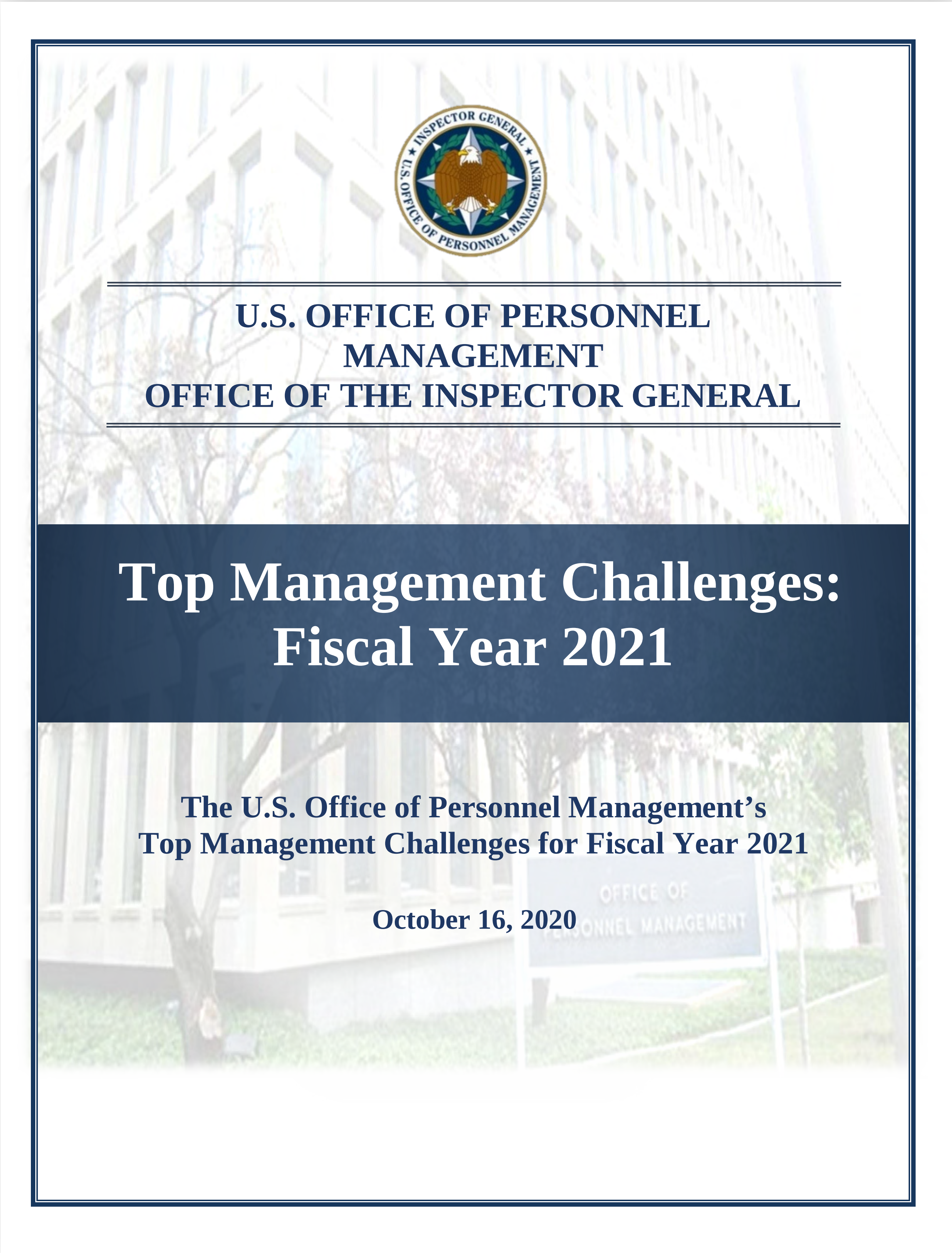
Laurie E. Bodenheimer
Acting Director, Healthcare and Insurance

Kenneth J. Zawodny, Jr.
Associate Director, Retirement Services

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

Janet L. Barnes
Director, Internal Oversight and Compliance

Monique Taylor
Acting Chief, Risk Management and Internal Controls



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

Top Management Challenges: Fiscal Year 2021

The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2021

October 16, 2020

EXECUTIVE SUMMARY

The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2021

October 16, 2020

The Purpose of This Report.

The Reports Consolidation Act of 2000 requires the Inspector General to identify and report annually the top management challenges facing the agency. This year, we separated the challenges into four overarching categories of challenges facing the U.S. Office of Personnel Management (OPM) – the shortfall in OPM's funding, which relates to budgetary issues impacting OPM; the financial integrity of OPM's trust funds, which impacts OPM's Federal Employees Health Benefits, Life Insurance and Retirement Programs; information technology; and OPM challenges which are Government-wide.

What Did We Consider?

We identified the four categories as top 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.

NORBERT VINT

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Date: 2020.10.16 13:46:23 -04'00'

Norbert E. Vint
Deputy Inspector General
Performing the Duties of the
Inspector General

What Did We Find?

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

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

Some of these challenges are due to external factors including, but not limited to, rapid technological advances, shifting demographics, various quality of life considerations, and national security threats that are prompting fundamental changes to Federal Government operations. 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.

i

ABBREVIATIONS

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

TABLE OF CONTENTS

Challenge 1

SHORTFALL IN OPM'S FUNDING

In the wake of the massive breach of background investigation data in 2015, the President, via Executive Orders, and the Congress, via the National Defense Authorization Act, transferred the responsibility for conducting all background investigations from the U.S. Office of Personnel Management's (OPM) National Background Investigations Bureau to the Department of Defense's newly created Defense Counterintelligence and Security Agency (DCSA). The background investigation function was a large component of OPM, contributing over $2.24 billion in revenue to OPM's budget in fiscal year (FY) 2019. The transfer of the background investigation function, which was effective October 1, 2019, presented OPM with a $70 million budget shortfall. However, OPM was able to successfully mitigate that shortfall through the Department of Defense's buyback of certain information technology (IT) and financial services from OPM as well as by the inclusion of an additional $34.5 million approved by Congress and signed by the President in the FY 2020 appropriation bill.

While OPM was able to successfully mitigate the shortfall in FY 2020, the problem remains. It is expected that DCSA will continue to buy back IT services through the end of FY 2021. However, OPM transferred ownership of the NBIB legacy systems to DCSA on October 1, 2020, and while OPM is responsible for operating the supporting infrastructure through a buyback of services arrangement through the end of FY 2021, the plan is for this arrangement to end then. Even with the buyback of services, OPM will still have a significant shortfall in FY 2021. Again, OPM will need to work with Congress and the Administration to request additional funding as well as determining what, if any, internal reductions can be implemented.

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

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

In June 2018, the Administration published *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*. This document includes a plan that would reorganize OPM, including the transfer of a variety of OPM functions to GSA. This plan was also the basis for a May 2019 formal legislative proposal submitted by the Administration to Congress. The legislative proposal would transfer the majority of OPM's current functions and resources to GSA, including Human Resources Solutions, IT, Retirement, and the Healthcare and Insurance programs.

However, the legislative proposal has not been introduced in either chamber of Congress. In fact, as a result of concerns with the Administration's proposal, Congress, in the National Defense Authorization Act for FY 2020, required that OPM contract with the National Academy of Public Administration (NAPA) to complete a study of OPM and provide recommendations to the agency and Congress regarding possible solutions to address identified weaknesses or impediments to OPM's successful completion of its mission. In March 2020, OPM contracted with NAPA to conduct the study at a cost of over $800,000. As the National Defense Authorization Act for FY 2020 was passed in December of 2019, OPM had not planned for the NAPA contract in its FY 2020 budget. The study is currently on-going, with a final report due in March 2021. Congress also created a statutory impediment[1] to the proposed merger by including language in the National Defense Authorization Act for FY 2020 which prevents those OPM functions assigned in law from being transferred to either GSA, the Office of Management and Budget, or the Executive Office of the President until after this final report is received and reviewed by Congress.

Despite this change in context that has put the proposed merger largely on hold, one proposed merger-related activity continued to progress – the revocation of the delegation for OPM to operate and maintain the Theodore Roosevelt Federal Building (TRB) and the Federal Executive Institute (FEI). GSA revoked OPM's authority to operate and maintain both the TRB and the FEI at the request of OPM's former Acting Director. This decision was based in part on the belief that OPM would soon become a "third service" under GSA. Since GSA is the Federal Government's real property manager, it would not be feasible for OPM, as a GSA component, to continue to manage the TRB or FEI. On July 26, 2019, GSA formally notified OPM of its intent to revoke OPM's delegation to manage the TRB and FEI.[2]

GSA has the authority to manage the Federal Government's real property and to delegate that authority to other Federal agencies. Under the OPM-GSA building delegation agreements for the TRB and FEI, either the GSA Administrator or the OPM Director may terminate the delegation at any time. However, it must be noted that OPM's initial decision to request the revocation of the delegations was based on the Administration's proposal to merge OPM into GSA, and, it was decided without conducting an analysis of the full impact on costs and services to OPM. OPM failed to assess whether the requested revocation of the delegations to operate and maintain the TRB and FEI were in the best interest of the Government. Nonetheless, after the proposed merger was put on hold, pending the outcome of the NAPA study, the revocations

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[1] National Defense Authorization Act for Fiscal Year 2020, Pub. L. 116–92, § 1112 (2019).
[2] While the July 26, 2019, letters from GSA to OPM refer to the ***intent*** to revoke the delegation, we learned that these letters in fact actually revoked the delegation.

2

continued, taking on a life of their own, without a full understanding of the financial impact on OPM.

As OPM worked with GSA on the revocation of the delegation to operate and maintain the FEI, the agency became aware of the potential financial impact. The FEI is a residential facility, providing lodging, meals, and fully equipped on-site classrooms in a campus-like setting that operates 24/7, 340 days a year. GSA does not have experience operating a residential facility. In fact, GSA planned to contract for the FEI under its standard level of services, which is based on a building operating 10 hours each day for 5 days a week. This plan would not meet the needs of the FEI and in order to fund all services beyond 10 hours per day would result in an estimated $400,000 annual increase in operations cost for OPM. After many months of review and discussions, GSA asked OPM if it would like to request the return of the delegation to operate and maintain the FEI in January 2020. OPM then worked with GSA to prepare the necessary documents to officially request the return of the delegation to operate and maintain the FEI. The process to return the delegation to OPM culminated with the approval of OPM's request by GSA, which was signed on July 21, 2020. While this is positive news, nearly a year's worth of time and resources were spent, by both OPM and GSA, to return to the same status that existed on July 26, 2019, all because a proper analysis of the costs and the impact of the changes was not completed in advance of the initial decision.

Similarly, the revocation of the delegation to operate and maintain the TRB has the potential to result in a negative financial impact on the agency. In February 2020, OPM completed an initial analysis that showed that revoking OPM's authority to operate and maintain the TRB could result in increased costs of approximately $4.2 million annually. In addition, OPM could potentially be liable for approximately $10.2 million in contract termination fees. Despite the lack of a thorough analysis of the costs and impact on OPM in May of 2019 when the decision to revoke the delegations was first made, OPM and GSA continue to pursue the return of operation and maintenance of the TRB to GSA.

Given that the merger is largely on hold, the outcome of the NAPA study could significantly change the way OPM operates or is structured. In addition, with the lack of a full analysis of the costs and impacts on OPM, continuing to proceed with the revocation of OPM's delegation to operate and maintain the TRB is fiscally irresponsible and places an additional burden on a financially strapped agency as well as the American taxpayer.

3

Challenge 2

ENSURING THE FINANCIAL INTEGRITY OF OPM'S TRUST FUNDS

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

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

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

- they have approximately $1 trillion in combined assets;
- there are over 8 million participants in the FEHBP; and
- the retirement programs make more than $7.6 billion in monthly annuity payments.

Protecting the financial integrity and providing effective stewardship of these three benefit programs is an essential part of OPM's statutorily mandated responsibilities. Managing and protecting these trust funds, providing quality and timely benefits, and providing value for the cost are on-going challenges that OPM must address.

Federal Employees Health Benefits Program

As the administrator of the FEHBP, OPM has responsibility for negotiating contracts with health insurance carriers covering the benefits provided and premium rates charged to over eight million Federal employees, retirees, and their families. The ever-increasing cost of health care, including the cost of prescription drugs, is a national challenge, affecting not only OPM. It is an ongoing challenge for OPM to keep these premium rate increases in check while not impacting the level of benefits offered. There are several initiatives that OPM is adopting to meet the challenge of providing quality health care for enrollees, while controlling costs. Examples include deeper analytics of the drivers of health care costs, including pharmacy cost and utilization, and improved prevention of fraud and abuse. However, as previously stated, OPM's budget situation significantly impacts its ability complete research and implement changes and improvements.

Prescription Drug Benefits and Costs

Prescription drugs are a major share of health care costs in the FEHBP, currently representing approximately 27 percent of total health care expenditures. Most FEHBP carriers report an increase in drug costs per member each year. Greater utilization of existing drugs and the high cost of specialty medications contribute significantly to FEHBP premiums. Prescription drug utilization and costs will continue to increase for the foreseeable future, as new pharmaceutical advancements are developed and the rapid growth of the specialty drug market accelerates.

4

OPM needs to develop an effective, long-term strategy to mitigate and manage FEHBP prescription drug costs, while maintaining overall program value and effectiveness.

Since the inception of the FEHBP in 1960, pharmacy benefits have been provided via participating FEHBP carriers by administering pharmacy benefits internally, or more often, by carriers contracting with a Pharmacy Benefits Manager (PBM) 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 PBMs; rather, the FEHBP carriers are responsible for negotiating these contracts on behalf of the Federal Government. Due to this minimal involvement, the negotiated fees (which are ultimately borne by the FEHBP) may not provide the best value to FEHBP members and the American taxpayer.

The need for clear and extensive analysis of the FEHBP drug program cost-saving options is long overdue as the last study was completed approximately 10 years ago. The PBM and prescription drug landscape, as well as delivery and management of prescription drug benefits, has significantly changed since 2010. Our concerns about increasing prescription drug costs warrant the need to evaluate the benefits, delivery, and pricing of FEHBP prescription drugs specifically, including whether carrier PBM contracts provide the best value to the Federal Government and FEHBP enrollees in today's environment. While OPM agrees that an extensive, focused, and independent study of the FEHBP prescription drug benefit should be conducted, the ability, according to OPM, to secure appropriate funding for this study is hampered by the agency's competing budgetary demands.

Federal Employees Health Benefits Program Enrollment and Eligibility

Ineligible family members or other persons improperly enrolled in an FEHBP carrier often go undetected due to the self-certification process used by the FEHBP. Identifying these ineligible dependents is often difficult and largely goes unchecked, resulting in an increased risk of improper payments. While OPM is unable to identify how many ineligible dependents receive benefits from the FEHBP or the total cost to the program, industry-standard estimates published by OPM show approximately 1 to 3 percent of spouses and 4 to 12 percent of children are ineligible for coverage. Applying these estimates to the FEHBP results in potential losses of up to $3 billion annually.

The current process of self-certification by the enrollee, without requirements for the enrollee to submit proof (e.g., birth or marriage certificates), is not effective and exposes the FEHBP to fraud, waste, and abuse. Again, this is an issue that OPM recognizes and is trying to address through the development of a Central Enrollment Portal. However, OPM has not been able to sufficiently fund this project and therefore the timeline to fully develop and implement this needed system is still unknown.

5

Health Benefit Carriers' Fraud and Abuse Programs

Additional challenges which threaten the financial integrity of OPM's trust fund programs are related to fraud, waste, and abuse that divert taxpayer dollars for inappropriate, unauthorized, or illegal purposes. Aspects of this challenge consistent across OPM programs include:

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

In our FY 2020 Top Management Challenges report, we expressed concerns about OPM's delegation of antifraud and program integrity functions to FEHBP health insurance carriers and multilayered environments of contractors (e.g., pharmacy benefit managers). Specifically, we noted this delegation added difficulty for OPM in responding to global fraud, waste, and abuse trends affecting the FEHBP.

The OIG has found weaknesses in FEHBP health insurance carrier (and contractor) efforts to identify and address fraud and abuse by health care providers in a timely and materially relevant manner. OPM requires health insurance carriers to implement plans according to the FEHBP contract to prevent, detect, and correct instances of fraud, waste, and abuse and noncompliance with the contract. However, the implementation of these plans and efforts varies widely among FEHBP health insurance carriers, as does the detection of suspected fraud.

Because substantial fraud, waste, and abuse detection functions are delegated to FEHBP health insurance carriers and beyond, the agency must maintain oversight of how those fraud, waste, and abuse detection and prevention functions are carried out. This includes monitoring that health insurance carriers comply with all contract and agency guidance that serves as extensions of the contract, such as Carrier Letters.[3] While our audits have found that carriers are generally compliant with the fraud, waste, and abuse carrier letter, we have previously expressed concerns about carriers not following reporting guidance for notifying the OIG's Office of Investigations regarding the status of fraud investigations. OPM should continue working with health carriers to ensure compliance with all applicable guidance and enforcement when health carriers are noncompliant.

The OPM Healthcare and Insurance program office's efforts to revise fraud, waste, and abuse-related language in the carrier contracts is a positive step towards protecting program integrity. These changes will hopefully address weaknesses across the diffused and multilayered fraud,

[3] Carrier Letters are defined as sub-regulatory guidance within the FEHBP, primarily issued by the OPM Healthcare and Insurance program office to provide more detailed guidance and definitions for FEHBP related laws, regulations, and contractual language

waste, and abuse programs of FEHBP health carriers and contractors. OPM will need to monitor and evaluate the effectiveness of these changes in protecting the program integrity of the FEHBP. At present, however, fraud, waste, and abuse reporting remains a challenge.

OPM should also continue working on its Health Insurance Data Warehouse project to request sufficient data from FEHBP health carriers for its program oversight and for criminal, civil, administrative, and contract remedies against bad actors who target the FEHBP. Working with these health carriers to create consistent reporting requirements and improving information sharing requirements to create data-driven program integrity functions is essential. Because of the decentralized design of the FEHBP, it will be a challenge for OPM to collect data in a standardized format. OPM should work with the carriers to standardize fraud, waste, and abuse reports, and health claims data to the extent possible in developing its data warehouse system in the future.

Stopping the Flow of Improper Payments

Another challenge to OPM's trust fund financial integrity is improper payments. Improper payments are defined by the Improper Payments Information Act of 2002 as payments that should not have been made, or that were made in an incorrect amount, including both overpayments and underpayments. These improper payments are often the result of fraud, waste, or abuse. Vulnerabilities in program integrity and oversight that allow for improper payments harm the financial integrity of OPM programs and cost taxpayer dollars.

<u>The Federal Employees Health Benefits Program</u>

In FY 2019, OPM reported the FEHBP paid $54.94 million in improper payments with an improper payment rate of 0.10 percent. The OIG has reported that this rate does not include all improper payments that it should, and is therefore understated.

Without a centralized source for claims and enrollment data, barriers persist against quickly uncovering fraud across the entire FEHBP. This difficulty in addressing global issues creates delays in implementing program improvements or investigations, enforcements, or corrective actions.

As we stated in our FY 2020 Top Management Challenges report, the Healthcare and Insurance program office's work with the U.S. Office of Management and Budget to recalculate the improper payment rate is a beneficial step to protecting the financial integrity of the FEHBP. Continued work in this area to come to a truer improper payment rate remains essential. The lack of an agency program integrity group dedicated to the assessment of fraud, waste, and abuse is a persistent challenge to the financial integrity of the FEHBP. Previously, OPM

7

acknowledged potential benefits of a program integrity office but cited costs and other constraints as barriers to implementation. A robust program integrity strategy remains essential to address challenges to the FEHBP. A program integrity group dedicated to identify and assess fraud, waste, and abuse root causes and trends, track improper payments, and address programmatic issues is something the OIG believes would help OPM improve its ability to meet its mission and reduce waste and fraud.

The lack of fully developed program integrity functions for the FEHBP is especially a concern when responding to novel threats to the program. The COVID-19 crisis has presented a new threat to the FEHBP, with emerging fraud schemes a risk to the health and safety of Federal employees, retirees, and their dependents. In addition, the opioid and drug abuse epidemic continues to affect FEHBP members, with progress potentially reversing because of the COVID-19 pandemic's societal and health environment ramifications. The Healthcare and Insurance program office has been proactive in working with FEHBP health carriers to address issues related to care in the pandemic, but increased program integrity functions would further protect those reliant on FEHBP insurance from schemes and bad actors.

Retirement Programs: Federal Employees Retirement System and Civil Service Retirement System

In FY 2019, OPM reported $284.42 million in improper payments related to the disbursement of retirement funds out of its approximately $90 billion in defined benefits paid to retirees, survivors, representative payees, and families. The improper payment rate was calculated to be 0.35 percent. Like the FEHBP, this program is considered susceptible to significant improper payments.

It is a significant challenge for the agency to document and analyze the Civil Service Retirement System and Federal Employees Retirement System program integrity. The lack of a modernized IT environment and the lack of a comprehensive approach to uncovering improper payments have resulted in a low number of fraud referrals to the OIG. For example, in FY 2019, the OIG's Office of Investigations opened more complaints and investigations (72) based on a limited number of proactive OIG projects than were opened based on referrals from OPM's Retirement Services program office (30). The consistently low number of fraud referrals to the OIG seems to indicate that the program office faces challenges in analyzing data to find instances of fraud.

In addition, in its OPM FY 2019 Agency Financial Report, the agency stated, "OPM is unable to provide the level of specificity for the root cause categories to determine which portion of the monetary loss was inside or outside of the agency's control."

According to the Retirement Services program office, root cause analysis is limited because of the reliance on existing legacy systems and outdated IT infrastructure. However, without a sufficient understanding of the root causes of improper payments and program vulnerabilities, a more precise rate of improper payments remains elusive. Better understanding of improper payment root causes will help OPM develop and implement strategies to prevent future fraud, waste, and abuse with more targeted and data-driven solutions.

As in the case of the FEHBP, the lack of an OPM program integrity office (that would be able to conduct the aforementioned root cause analysis of improper payments) remains a challenge for the agency. There is no comprehensive, centralized tracking system to analyze the retirement programs for improper payments. This allows, as many OIG investigations show, improper retirement payments that continue for years and harm the financial integrity of the Federal Employees Retirement System and Civil Service Retirement System.

Risks to the FEHBP from the Opioid Crisis

President Donald J. Trump declared the opioid and drug abuse epidemic a public health emergency in November 2016, a declaration that has been renewed by the U. S. Department of Health and Human Services through the present. The opioid crisis has presented an ongoing and persistent risk to the FEHBP because it inspires fraudulent, wasteful, and abusive activity by bad actors and exploitative providers, as well as through the increases in ancillary costs related to treatment and comorbid conditions related to opioid use disorders.

The OIG recognizes that the OPM Healthcare and Insurance program office has been part of the overall nationwide efforts to reduce opioid-related death. Promoting medication assisted therapy and other initiatives were positive steps. However, the Centers for Disease Control and Prevention's provisional 2019 data has found concerning increases in opioid deaths, and the recent reports from news media and medical sources have raised concerns of severe upticks in opioid-related overdoses because of the health and social environment caused by the COVID-19 pandemic.

It is essential the agency continue its efforts to remove barriers to care for the treatment of opioid abuse. In addition, program integrity improvements related to the collection of claims data and receipt of information from the FEHBP health insurance carriers will benefit the financial integrity of the program. This includes information regarding providers potentially engaging in health care fraud related to the opioid crisis or FEHBP enrollees engaging in doctor-shopping behavior (going to multiple health care providers in order to procure multiple prescriptions for opioids or other drugs of abuse).

Working with existing FEHBP health insurance carrier efforts to overcome the opioid epidemic is also important. The OIG has engaged in discussions with health carriers who proactively identify providers who are potentially overprescribing or prescribing outside the course of best medical practices. OPM should continue to work with health carriers or mandate through its guidance that such or similar information of potential problem providers is transmitted to OPM if those providers treat FEHBP enrollees. By doing so, OPM can better use its existing program integrity controls to protect the FEHBP from fraud, waste, and abuse.

Retirement Claims Processing

Retirement claims processing is yet another challenge to OPM's trust fund financial integrity. In FY 2019, OPM paid approximately $90 billion in defined benefits to retirees, survivors, Representative Payees, and families.

OPM's Retirement Services program office is responsible for determining Federal employees' eligibility for retirement benefits; processing retirement applications for Federal employees, survivors, and family members; issuing annuity payments to eligible retirees and surviving spouses; collecting premiums for health and life insurance; and providing customer service to annuitants.

The timely issuance of annuitants' payments remains a challenge for OPM, especially coordinating retirement benefits between OPM and other agencies for disability benefits and workers' compensation. OPM's Strategic Plan (FY 2018 - 2022), Goal 4's objective is to "[i]mprove retirement services by reducing the average time to answer calls to five minutes or less and achieve an average case processing time of 60 days or less." OPM appears to remain focused on its internal process improvements and external outreach towards other Federal agencies to meet their goal. However, Retirement Services' average case processing time from October 2019 through May 2020 increased to 64 days, which is eight days above the September 2019 case processing average of 56 days and does not meet OPM's Strategic Plan Goal 4 of achieving average processing of "60 days or less."

While the overarching reason for the increase in processing time for retirement cases is not clear, it appears that, based on our recent audit work on retirement disability case processing, disability applications are often incomplete when they are received by OPM, which requires further development of the case before moving to the next phase of processing. In addition, the case management system is a legacy system requiring employees to manually input case information and does not allow Retirement Services to distinguish when cases change from one status to another. For example, if a case that was initially coded as disability retirement should have been coded as a regular retirement case, and the code is changed, the system would still show the initial code. This coding error can lead to processing delays and inaccuracies. Regarding

10

customer service calls, as of September 26, 2020, the average time to answer of 6 minutes and 18 seconds for FY 20 is slightly above the 5 minutes or less identified in Goal 4; therefore, Retirement Services should continue to work on reaching their goal.

Retirement Services is taking steps to strengthen its operations, including:

- Ensuring the accuracy of the age of the cases in the inventory and time to process actions through testing and data validation.
- Developing a reporting system to track timeliness of medical determinations and actions for screening and development.
- Continuing to work with OPM's Office of the Chief Information Officer (OCIO) to investigate technological capabilities to improve processing, reduce wait times, and modernize systems and data.
- Continuing to make progress on its Online Retirement Application.
- Continuing to integrate improvements for correspondence and claims processing.
- Providing monthly feedback to agencies and payroll offices and alerting them of trends and improvement opportunities.

OPM should continue to work on obtaining the necessary resources and technology to ensure that the needs of its customers and stakeholders are met.

<u>Retirement Services Customer Service</u>

Many annuitants and survivors, frustrated that they cannot contact OPM's Retirement Services customer service office, call the OIG fraud hotline for answers. Many of these calls are related to concerns about interim annuity payments made until the final adjudication of retirement claims. In most cases, these interim annuity payments are approximately 80 percent of the projected final gross annuity amount. However, the interim annuity payment can be affected by the FERS supplement (which is not included in interim payments), court ordered benefits, unverified service, and other factors. These complexities make it difficult for new retirees to accurately estimate their interim annuity payments and often lead to questions or concerns.

The underlying causes are legacy systems and manual, paper-based processes that lead to the backlog of cases and long processing times that make interim payments necessary. If OPM had a modern, digital retirement system that could process retirement claims in near real time, there would be no need for interim annuity payments. Exacerbating the situation, OPM's retirement services call center is not equipped to handle the large volume of inquiries from annuitants and survivors (see the next section). Retirement Services believes that the most effective way to improve customer service is to focus on improving operational processes and significantly increasing staffing in the Retirement Information Office. These are problems with long-term solutions.

However, in the short-term, a customer service advocate or Ombudsman could help focus attention and solutions, especially for customers in challenging circumstances. In January 2010, OPM established an ombudsman program; however, the ombudsman function ended in October 2013 and the office that housed it (the Office of the Executive Secretariat and Ombudsman) was reorganized so its functions became part of the Office of the Director in 2017. The OIG is supportive of OPM restoring an ombudsman/customer advocate function at the agency to mediate concerns raised by Federal retirees, their families, and representative payees.

<u>Retirement Services Call Center Issue and Status</u>

Addressing concerns with OPM's retirement program office was a top priority for former OPM Director Dale Cabaniss. She was particularly concerned about the Retirement Services call center amid widespread reports from annuitants of inadequate service and that Retirement Services routinely limited the number of calls to be placed in the answer queue.

Director Cabaniss conducted a site visit to the Retirement Services call center in January 2020. We were told by the former Director that she was so troubled by what she found that she directed the Chief Information Officer to contact U.S. Digital Service, an organization under the Office of Management and Budget. A U.S. Digital Service team was available to begin an immediate review, and Director Cabaniss assigned OPM's Deputy Chief Information Officer to lead the project.

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

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

12

In April and May 2020, the OPM team partnered with McKinsey and Company on a five-week sprint to address some of these issues. The team worked from the premise that there are solvable problems, and that significant improvement could be realized with simple solutions. There are also longer-term problems that will require time and resources to address.

For example, the team quickly determined that many customers are calling to ask simple questions, or to reset their password on the Services Online system, which is the OPM website that supports Federal annuitants. Call volume peaks when OPM sends annual Internal Revenue Forms 1099-R, Distributions from Pensions, Annuities, Retirement or Profit – Sharing Plans, IRAs, Insurance Contracts, etc. to annuitants. To address these issues, the team recommended simple and low cost solutions like improving outreach, using plain language content on the website, enhancing website search functions, and introducing self-service password resets.

To improve capacity, OPM upgraded telephony and telecommunications circuits, call center infrastructure, and the automated call distribution software to the latest supported version. Call center agents were migrated to the new automated call distribution, with the expectation that there will be improved call handling and volume, with limited downtime or system resets. OPM also implemented interactive voice response in the automated call distribution software, which more effectively routes calls and allows callers to request a callback without losing their place in the queue.

While OPM has enhanced Retirement Services call center operations, fundamental change will require an investment of time and resources and improved business processes. The technology and infrastructure is not optimized for true call center operations. OPM is considering a cloud-based call center solution as a potential future support platform.

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

Challenge 3

INFORMATION TECHNOLOGY

Modernization and Transformation

Since the data breaches in 2015, where the personal information of more than 20 million people was compromised, OPM's IT security and operations have been a focus of attention for the agency. While OPM has made significant progress with respect to its technical security environment, consolidation of data centers, data encryption, and multifactor authentication, the agency is still burdened by legacy, mission-critical applications, outdated infrastructure and processes, and an ineffective technology business model. OPM's IT program has also been hampered by inadequate funding and resources for many years.

Frequent turnover at both the OCIO and agency leadership levels have made it more difficult to develop and execute a strategic vision for a modernized IT environment. However, OPM's current Chief Information Officer has articulated a compelling vision for IT modernization that could be successful if it is fully supported by OPM leadership and properly funded over time. OPM commissioned a top consulting firm to conduct an independent, in-depth study to identify a path forward and estimate the costs of fulfilling the Chief Information Officer's vision.

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

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

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

On October 1, 2020, OPM transferred ownership of the legacy National Background Investigations Bureau systems to DCSA. This move means that the systems are no longer part of the OPM system inventory, and that DCSA is responsible for their maintenance, operation, and

14

modification, and for maintaining the systems' authorities to operate and related security documentation. However, OPM is still responsible for operating the supporting infrastructure under a buyback arrangement with DCSA, which assumed responsibility for the background investigations program on October 1, 2019.

OPM successfully decoupled the legacy systems from other systems in the OPM mainframe environment and is in position to transfer full responsibility to DCSA. However, DCSA is still developing the necessary technical capability and business processes. In the meantime, OPM will need to provide user, infrastructure, network, and security support services. The current plan is to transfer full operational responsibility to DCSA and end the buyback arrangement by the end of fiscal year 2021. This full migration of systems will be a critical move to reduce distraction and risk, and allow management to focus on the modernization effort.

Another challenge for OPM will be to recruit and retain the talent needed to successfully modernize its IT environment. OPM's OCIO is severely understaffed, especially at crucial leadership positions. The OCIO also needs staff with skills well suited for modernization programs such as agile development, cloud architecture, and data/application integration.

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

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

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

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

The agency's challenge is to take advantage of this opportunity, seek appropriate funding, and start on its modernization journey. It will also have to minimize the voices of the self-interested naysayers, and start to change the agency culture to an enterprise-wide mindset that values the role of the federal Chief Information Officer as a strategic business partner who is critical in reaching organizational goals.

Open Audit Recommendations

An important and related challenge for the agency is to take corrective action regarding open, unresolved audit recommendations. In our latest Semi-Annual Report to Congress, we included, as required, a compendium of open recommendations. In this document, we identified a total of 92 unique open recommendations from our annual Federal Information Security Management Act and related information systems audits. Several of these recommendations refer to internal control weaknesses identified as far back as 2008.

Some of these 92 recommendations may have become obsolete, some of them could be addressed through corrective action that would require little effort to implement, but most of the open recommendations are for corrective actions that will require a moderate to significant level of effort and resources to put into place. We have worked with OPM to sort the open recommendations into these groups.

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

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

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

Challenge 4

GOVERNMENT-WIDE CHALLENGE

Strategic Human Capital Management

The U.S. Government Accountability Office (GAO) reported in their March 2019 report, *HIGH RISK SERIES, Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, that since 2001, strategic human capital management has been on their high-risk list of Government-wide challenges requiring focused attention. In that report, GAO suggested that in order to mitigate the challenge, OPM needed to fully address the 29 open recommendations in its January 2015 report, which called on the Director of OPM to make more strategic use of Government workforce data by building a predictive capacity for identifying and mitigating emerging skills gaps across Government. The report also recommended that OPM work with agency Chief Human Capital Officers' Councils to bolster the ability of agencies to assess workforce competencies by sharing competency surveys, lessons learned, and other tools and resources. This report is issued every two years and the high-risk list will be updated in 2021.

Skills Gaps Closure Progress

Based on progress reported by OPM in 2018 and 2019, we reported in our FY 2020 Top Management Challenges report that "strategic human capital management remains high-risk because more work is needed to address Government-wide mission critical skills gaps. According to GAO's 2019 analysis of Federal high-risk areas, skills gaps played a role in approximately 49 percent of the Government-wide high-risk areas. Skills gaps within individual Federal agencies can lead to costly, less-efficient government."

Since GAO will issue its report and update its list in 2021, OPM should continue to fully implement GAO's recommendations related to this high-risk area. In addition, they need to continue to develop resources and tools, facilitate best practices discussions, update and maintain its main domain (opm.gov), monitor the Government-wide Federal Action Skills Team action plans, pursue funding to ensure continuous development of Human Resources courses, and launch the competency assessment tool known as CEDAR to support agencies in identifying competency and skills gaps.

18

Report Fraud, Waste, and Mismanagement

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

By Internet: http://www.opm.gov/our-inspector-general/hotline-to-report-fraud-waste-or-abuse

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

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

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

OPM's Summary of Financial Statement Audit and Management Assurances are shown in Tables 8 and 9, respectively.

Table 8 - 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 9 - Summary of Management Assurances

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

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

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

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

PAYMENT INTEGRITY

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

The FY 2020 Payment Integrity Report includes a discussion of the following information:

- Program Descriptions (Section 1.0)
- Accountability (Section 2.0)
- Risk Assessments (Section 3.0)
- Audit Recovery (Section 4.0)

For more detailed information on improper payments in this and previous fiscal years, visit **https://paymentaccuracy.gov/**. This site includes frequently asked questions relating to improper payments, annual improper payment datasets, and program scorecards.

1.0 PROGRAM DESCRIPTIONS

OPM reports improper payments for FY 2020 for two major programs: Federal Retirement Services (RS) and the Federal Employees Health Benefits (FEHB) Program.

RETIREMENT PROGRAM

OPM paid billions in defined benefits to retirees, survivors, representative payees, and families during FY 2020 under the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS). Eligible retirees and survivors generally receive monthly benefits, but, in some cases, an applicant can also receive a lump-sum payment. Eligible employees who leave Federal service before qualifying for a CSRS or FERS retirement may request that their contributions be refunded in a lump-sum amount.

HEALTH BENEFITS PROGRAM

Established in 1960, the FEHB Program is the largest employer-sponsored health insurance program in the United States, providing health care benefits for about 8.2 million federal civilian employees, retirees, and their families. Since its inception, the FEHB Program has provided essential health benefits for enrollees, dependents, and other eligible individuals. The Program offers national and regional plan choices, represents excellent value, receives high satisfaction ratings, and is a vital part of the government's benefits package.

Program costs are shared between participant and Federal government contributions. For the plan year 2021, the average percentage increase in the FEHB Program premiums is 3.6 percent. This is lower than the 2020 increase and competitive with premium increases projected for or reported by other large private and public sector employers.

Healthcare and Insurance (HI) administer the FEHB Program through contracts with participating carriers that provide hospitalization and major medical protection to Federal employees, retirees, former employees, family members, former spouses, eligible tribal employees, and their family members. Two types of carriers participate in the Program: experience-rated carriers (ERCs) and community-rated carriers (CRCs). ERCs maintain separate accounting for their FEHB Program contract and, hence, must disclose their expenses. On the other hand, CRCs do not keep independent accounting and receive a premium based on the average revenue needed to provide benefits to their members.

2.0 ACCOUNTABILITY

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

OPM's Chief Financial Officer is the Senior Accountable Official for the Payment Integrity Program. The Office of the Chief Financial Officer chairs an Improper Payment Working Group that includes members from program offices that regularly address improper payments.

RETIREMENT PROGRAM

Senior management 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 RS Program to manage the integrity of the annuity roll. The Fraud Branch proactively communicates issues and concerns to OIG, looking for ways to enhance reporting and tracking systems, analyzing reports and data to detect improper payments, identify solutions for improper payments, and establish corrective actions for identified deficiencies. The Fraud Branch also works to educate our annuitants about protecting their Personally Identifiable Information.

HEALTH BENEFITS PROGRAM

Contracting Officers (CO's) exercise broad authority in their day-to-day oversight through negotiations, contract compliance, reviewing large provider and sub-contracts, lawsuits, disputed claims, benefit negotiations, performance assessment, and more. Improper payments are one of several factors that CO's consider. From the use of resolution timelines to work plans, partnering with the Office of Inspector General (OIG) and carriers to improve fraud and abuse reporting, amending our FEHB contracts, to longer-term project planning, audit resolution activities, IP recovery goals, and other internal control-strengthening activities, accountability is incorporated into managers' routine activities. Managers' performance standards reflect audit resolution priorities and are reviewed and updated annually, based on results.

HI's oversight of carriers extends to the FEHB Plan Performance Assessment (PPA), which uses a discrete set of quantifiable measures to examine key aspects of FEHB Program health plan contract performance. The PPA is linked to health plan profit and adjustment factors. It was developed to establish a consistent assessment system, create a more objective performance standard, and provide more transparency for enrollees. In 2020, plan results continued to show improvement across key metrics, with three out of four of the high priority measures showing increased medians for FEHB plans. OPM has publicly announced to FEHB Carriers its goal to develop a risk-adjusted cost measure to help assess the value of each plan as part of PPA. This is a crucial step in evaluating the FEHB value equation (healthcare quality and affordability). In addition, OPM has convened a workgroup of FEHB Medical Directors to obtain input on how to assess and incorporate into the PPA the measurement of low-value care paid for by each plan.

3.0 RISK ASSESSMENT

As required, OMB implementation guidance, OPM reviews its non-risk-susceptible programs, using a Risk Assessment Tool to determine susceptibility to significant improper payments. OPM's Risk Assessment Tool contains the seven risk factors included in Appendix C of OMB Circular A-123. By examining these areas, OPM's Risk Assessment Tool provides a comprehensive review and analysis of selected program operations to determine potential payment risks and risk severity.

OPM completed a risk assessment for the Federal Employees' Group Life Insurance (FEGLI) program in FY 2020. OPM concluded that the FEGLI program was not susceptible to the risk of significant improper payments.

4.0 AUDIT RECOVERY

The Improper Payments Elimination and Recovery Act requires any program that expends at least $1 million during the year to implement payment recapture audits, if cost-effective to the agency, to recover improper payments. The requirement to conduct payment recapture audits is independent of whether a program is susceptible to significant improper payments.

OPM has determined that it is not cost-effective to hire payment recapture auditors for either of its reported programs. Sufficient validation, recovery, and reporting of questioned costs or preliminary overpayments requires substantial institutional knowledge of program processes, regulations, contracts, systems, and records. Nonetheless, OPM is committed to its extensive internal recovery efforts for both the Retirement Program and the FEHB Program and anticipates continued high rates of recovery 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 10 summarizes OPM's debt management activity for September 2020 and 2019. 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 10 - Debt Management Activity

Retirement Program ($ in Millions)		
Receivables Activity	**September 2020**	**September 2019**
Total receivables at beginning of year	$420.2	$424.3
New receivables and accruals	223.0	212.2
Less collections, adjustments, and amounts written-off	221.3	216.3
Total receivables at end of period	$421.9	$420.2
Total delinquent	$14.4	$14.3
Percent delinquent of total receivables	3.4%	3.4%

Health Benefits Program ($ in Millions)		
Receivables Activity	**September 2020**	**September 2019**
Total receivables at beginning of year	$77.0	$83.4
New receivables and accruals	24.7	36.8
Less collections, adjustments, and amounts written-off	68.9	43.2
Total receivables at end of period	$32.8	$77.0
Total delinquent	23.9	50.2
Percent delinquent of total receivables	73%	65%

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 11 and 12 compare OPM's percentages that are more than 61 days old to Government-wide percentages.

TABLE 11 - Travel Card Usage

($ in Thousands)	September 2020*	September 2019
Outstanding Balance (OPM)	$0.00	$1.24
Outstanding more than 61 days (OPM)	$0.00	$0.82
% outstanding more than 61 days (OPM)	0.00%	0.66%
% outstanding more than 61 days (Government wide)	6.58%	2.22%

* September 2020 source: GSA current and historical delinquency metrics for the CFO Act Agencies

TABLE 12 - Purchase Cards

($ in Thousands)	September 2020	September 2019
Outstanding Balance (OPM)	$30.05	$42.96
Outstanding more than 61 days (OPM)	$0.0	$0.0
% outstanding more than 61 days (OPM)	0.00%	0.00%
% outstanding more than 61 days (Government wide)	.24%	.61%

Fraud Reduction Report

In 2016, Congress passed the Fraud Reduction and Data Analytics Act of 2015 (the "Act"). The Act requires that agencies establish financial and administrative controls to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments. Additionally, the Act requires that agencies report to Congress annually on the progress of the agency in implementing (1) financial and administrative controls established pursuant to the Act, (2) the fraud risk principle in the Standards for Internal Control in the Government, and (3) OMB Circular A-123, with respect to leading practices for managing fraud risk.

OPM takes its responsibility for reducing occurrences of fraud very seriously and is diligent about identifying potential opportunities for fraud and implementing strategies to mitigate the risk. OPM engages in ongoing efforts to reduce opportunities for fraud in its benefit and administrative programs. During FY 2020, OPM continued fraud reduction efforts through a wide variety of mechanisms.

OPM's Healthcare and Insurance (HI) organization Federal Employee Government Life Insurance (FEGLI) program has many controls in place to safeguard against fraud. The program encourages the integrity of the claims process by requiring different personnel and individuals to certify FEGLI forms. The different levels of control include the determination of eligibility at the agency level when an employee is hired and the requirement of two agency personnel to certify FEGLI coverage elected on the certification of insurance status form for an annuitant or employee. The program further reduces the likelihood of fraud by requiring two individual witness signatures on a Designation of Beneficiary form. Agency personnel are required to confirm receipt of any valid Designation of Beneficiary forms. HI's, administrator of the FEGLI program, also has a special investigation unit (SIU) to ensure payment integrity and provide extensive reporting and post-payment reviews. The program administrator is also required to provide an annual fraud report of FEGLI to OPM.

HI's Federal Employee Health Benefit (FEHB) program provides specific fraud mitigation and reduction guidance to insurance carriers through Carrier Letters and specific contract provisions related to fraud, waste, and abuse (FWA). The Carrier conducts a program to assess its vulnerability to FWA to include but not limited to performing post-payment reviews and audits of providers identified either proactively or reactively. The Carrier operates a system designed to detect and eliminate FWA internally by Carrier employees and Subcontractors, by providers providing goods or services to FEHB Members, and by individual FEHB Members. In addition, FEHB program Carriers must demonstrate they have submitted written notification to OPM-OIG within 30 business days of identifying potential FWA issues impacting the FEHB Program regardless of dollar value. The program must specify provisions in place for cost avoidance, not just fraud detection, along with criteria for follow-up actions. The Carrier must submit to OPM an annual analysis of the costs and benefits of its FWA program. The Carrier must submit annual FWA reports to OPM. The Carrier Letter, issued in 2020 asked Carriers to address controlling fraud, waste and abuse by adjusting benefit designs to better control fraudulent payments.

In addition, to routine audits of FEHB Carrier operations, OPM's Office of Inspector General (OIG) examines potential healthcare fraud against the FEHB Program by conducting criminal investigations that are coordinated with the Department of Justice and other law enforcement agencies.

OPM's Retirement Services (RS) program conducts ongoing fraud mitigation and reduction efforts through various data matches and surveys of program participants. The data matches monitor information from annuitants and survivors. The surveys are conducted to identify anomalies. The data matches reveal unreported deaths and other unreported events which help RS identify potential fraud. An example of the data matches conducted by RS include the Consolidated Death Match, which is a weekly matching of social security numbers from the Social Security Administration (SSA) against the annuity roll to determine if an annuitant is deceased and should therefore no longer receive a benefit payment. Another example is the SSA Death Master File Match, which is an annual matching of social security numbers from SSA against the annuity roll to determine if an annuitant is deceased. An example of a survey used to detect or prevent potential fraud is the Representative Payee Survey through which RS surveys those who receive benefit payments on behalf of an annuitant, to ensure that the person receiving benefits is the payee on record. As part of this survey tool, the payee certifies that he or she is using and managing the annuity payments in the best interest of the annuitant.

RS' Fraud unit is dedicated to the prevention and detection of fraud. The branch researches fraud allegations via tips from the fraud branch and OIG hotlines. The branch monitors the annuity roll to identify and correct anomalies to ensure that payments and payment data are accurate.

OPM's Office of Procurement Operations (OPO) has put into place policies and procedures which provide oversight and management of contractual actions of various size, scope, and complexity that aid in reducing the risk of fraud during source selection and contract award, and for example in contract administration efforts such as oversight of contractor performance and invoice approval. This includes the development of contractual documentation supporting critical milestones in the procurement process and the policy established for reviewing and approving those documents, which is directly supported by the agency Small Business representative, Acquisition Policy, and General Counsel. Where in certain instances as the contractual action necessitates, numerous other separate and distinct team members may also be involved in review and approval to include the Director of Contracts, Competition Advocate, Senior Procurement Executive, and/or the OPM Director. OPM also has an established Contract Review Board process involving the above-mentioned representatives, which convenes at critical milestones in the procurement process including Acquisition Strategy, Pre-Solicitation, Competitive Range, and Award phases to ensure adequate oversight and management of the contractual action is recognized, reducing overall risk to the agency. OPM established policy also requires a Contracting Officer's Representatives (COR) be designated on all orders/contracts for services exceeding the simplified acquisition threshold, as defined in FAR 2.101; and all other than fixed-price orders/contracts, regardless of dollar value. CORs are required to be certified at a level commensurate with the contract risk level and dollar value of the contract ensuring adequate oversight and management of the contractual action during the administration of the award. The agency COR policy includes a well-defined process whereby a program office representative is nominated based on their COR certification level and the applicable Contracting Officer reviews, approves and formally appoints them.

There are a variety of internal control processes and tools to ensure that the Government Purchase Card (GPC) policy is adhered to. For instance, the approving official (AO) requirements, the CBIS Reallocation process, quarterly transaction review process, and the reporting available in Citi Manager are all used to review transactions for compliance. In addition, new automated tools are now available from Citibank and Visa as part of the Smart Pay 3 Master Contract to help agencies monitor compliance.

If fraud or potential fraud is detected, the agency/organization program coordinator (AOPC) will gather documentation and information from the bank, cardholder and AO. The AOPC will inform the Director of Contracting, and the issue will be forwarded to the OIG for investigation. OPO does not make any determination of fraud, just detects potential fraud. If the OIG determines that fraud occurred, they will work with Human Resources (HR) and the employee's program and supervisor to determine the appropriate personnel action, up to and including termination and recouping the amount of the fraud from the employee's pay, if applicable. OIG also determines if the case should be routed to law enforcement for criminal prosecution. Consequences of card misuse is detailed in the Contracting Policy.

OPM management has put in place safeguards for its payroll activities. After an employee is initiated by Human Resource (HR) in the payroll system; the Time Administrator for the employee's organization creates a base schedule in the payroll system, which is requires approval by the employee's supervisor. The employee's profile is setup in the payroll system to submit a time sheet for payment. To populate the profile in the payroll system, the employee needs both an OPM electronic mail established (which is only established and provided by the Office of the Chief Information Officer (OCIO) after the employee's successful completion of the information technology (IT) Security test. The National Agency Check (NAC) clearance is verified before the account is created. No clearance equals no LAN access. OPM's Facilities, Security, and Emergency Management (FSEM) Personnel Security is responsible for determining credentialing eligibility and issuing the personal identity verification (PIV) credential for OPM employees. To receive a PIV credential, the applicant must appear in person to be fingerprinted.

OPM uses the results of various monitoring and evaluation activities, as well as those of OIG audits and investigations to improve its fraud prevention, detection, and response. OPM works closely with the OIG to mitigate fraud risks, especially in its benefit programs. For example, OPM's OIG continuously audits Health Insurance Carriers which are then used by HI to help increase Carriers awareness that improper actions and payments can be costly when found by OIG and validated by OPM's Audit Resolution function. The OIG also conducts investigations of potentially fraudulent activities and works with HI to implement corrective actions and improve compliance. The OIG also works with RS' Fraud unit to investigate alleged fraud against OPM programs.

In FY 2020 OPM re-assessed higher risk areas within the agency to include, payroll, beneficiary payments, large contracts, and purchase and travel cards. Through the Fraud Risk Assessment, it was determined that most of the areas assessed, OPM has adequate controls but identified areas where improvements are needed. The program offices have been made aware of these control deficiencies. OPM will follow-up to ensure corrective actions has been implemented to mitigate the control deficiencies identified.

Real Property

Consistent with Section 3 of the OMB Memorandum-12-12, *Promoting Efficient Spending to Support Agency Operations* and OMB Management Procedures Memorandum 2013-02, the "Reduce the Footprint" policy implementing guidance, all CFO Act entities must set annual targets to reduce the total square footage of their domestic office and warehouse inventory compared to the FY 2015 baseline.

- **Improved Utilization of Existing Space.** Consistent application of space allocation standards for OPM's Field Office locations. We continue to implement this in a phased approach, to occur during planned renovations or relocation to a new site for additional economy. Also, as renovations occur to OPM space nationwide, we are reviewing design options to improve utilization efficiencies. This will afford us greater flexibility with accommodating potential staffing increases, thus negating a requirement to acquire additional space, and will allow for additional reduction in space when feasible.

- **Workspace Sharing.** In the fall of 2017, OPM completed a workspace sharing project within HRS Program Office in TRB, whereby staff who telework three (3) or more days per week share cubicles and/or offices. This resulted in an overall reduction of 19,000 USF (47.3 percent) in the TRB HRS footprint. Initially an ad-hoc program, this has become a model for other OPM program offices. In San Francisco where MSAC and HRS once occupied an 8,964 USF office, FY 2018 saw MSAC expand its implementation of teleworking and HRS went to full-time telework for their entire staff, which allowed OPM to move into a smaller office and reduce its realty footprint by 6,818 USF. In Philadelphia, MSAC and OPO have agreed to reduce their program and share space whereby it is anticipated that once the restacking project is complete, the HRS/MSAC/OPO offices will move from 11,072 USF in swing space to a smaller 7,559 USF final space planned for FY 2020.

- **Co-location Opportunities.** The OPM program has been very successful in employing co-location arrangements with DoD at military installations and other federal agencies, whereby OPM shares or utilizes space on these sites as opposed to acquiring more costly commercial space. This is a mutually beneficial arrangement, as DoD maximizes the efficient utilization of its realty inventory, while OPM avoids increasing its footprint. OPM continues to explore co-location opportunities with other Federal Agencies whenever possible before the acquisition of new space.

Reduce the Footprint Baseline Comparison					
Baseline	**FY 2016 Baseline**	**2017**	**2018**	**2019**	**2020**
Square Footage	1,122,597	1,124,141	1,117,324	1,124,141	1,154,895

Reporting of O&M Costs – Owned and Direct Lease Buildings
OPM does not own any real property and does not engage in direct leasing. All of OPM's leasing is coordinated through the General Services Administration (GSA). As a result, we have nothing to report for this category.

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 is below.

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	2020	$11,665	Not Applicable	**https://www.govinfo.gov/content/pkg/FR-2020-07-14/pdf/2020-13461.pdf** 42299 FR Vol. 85, No. 135 (July 14, 2020)

Appendix A – Acronyms and Abbreviations

(Unaudited – See accompanying Independent Auditors' Report)

Acronym	Definition
ALIL	Actuarial Life Insurance Liability
AFR	Agency Financial Report
APR	Annual Performance Report
BFS	Bureau of the Fiscal Service
BMS	Budget Management System
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CBIS	Consolidated Business Information System
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
CLIA	Congressional, Legislative, and Intergovernmental Affairs
COLA	Cost of Living Adjustment factor
CRC	Community-Rated Carrier
CBIS	Consolidated Business Information System
CSRDF	Civil Service Retirement and Disability Fund
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act
DCIA	Debt Collection Improvement Act
DoD	Department of Defense
ECAS	Enterprise cost Accounting System
EEO	Equal Employment Opportunity
EHRI	Enterprise Human Resources Integration
eOPF	Electronic Official Personnel Folder

Acronym	Definition
EPV	Expected Present Value
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
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FFRDC	Federally Funded Research and Development Center
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
FPRAC	Federal Prevailing Rate Advisory Committee
FR	Financial Report
FSAFEDS	Flexible Spending Account for Federal Employees
FSEM	Facilities, Security & Emergency Management
FSSP	Federal Shared Service Providers
FTE	Full-Time Equivalent
FWA	Fraud, Waste, and Abuse
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles

Acronym	Definition
GAO	Government Accountability Office
GAS	Government Account Series
GMRA	Government Management Reform Act of 1994
GS	General Schedule
GSA	General Services Administration
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
HMO	Health Maintenance Organizations
HR	Human Resource
HR LOB	Human Resources Line of Business
HRS	Human Resources Solutions
ICAM	Identity, Credential, and Access Management
IPA	Independent Public Accounting (firm)
IPIA	Improper Payments Information Act
ISSO	Information Systems Security Officer
IT	Information Technology
MSAC	Merit System Accountability and Compliance
NBIB	National Background Investigations Bureau
OCIO	Office of the Chief Information Officer
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OMB	U.S. Office of Management and Budget
OPEB	Other Postemployment Benefits
OPM	U.S. Office of Personnel Management
OPO	Office of Procurement Operations
ORB	Other Retirement Benefits
OSDBU	Office of Small and Disadvantaged Business Utilization

Acronym	Definition
PAC PMO	Performance and Accountability Council's Program Management Office
PIV	Personal Identity Verification
PPA	Planning and Policy Analysis
PRHB	Postretirement Health Benefits
PSRHB	Postal Service Retirees Health Benefits
PSRHBF	Postal Service Retiree and Health Benefit Fund
RMIC	Risk Management and Internal Control Group
SAOC	Spending Authority from Offset Collections
SBR	Statement of Budgetary Resources
S&E	Salaries and Expenses
SFFAS	Statement of Federal Financial Accounting Standards
SNC	Statement of Net Cost
SOC	Security Operations Center
SSA	Social Security Administration
SSCLoB	Security, Suitability and Credentialing Line of Business
SUITEA	Suitability Executive Agent
TBM	Technology Business Management
TJF	Treasury Judgment Fund
TOP	Treasury Offset Program
TRB	Theodore Roosevelt Building
USC	United States Code
USPS	United States Postal Service
USSGL	United States Standard General Ledger
USSM	Unified Shared Service Management

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CFO-02308-AFR-11/2020