United States Office of Personnel Management

Agency Financial Report

Fiscal Year 2021

OPM.gov

November **2021**

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Message from the Director, Agency Financial Report 2021

It is my pleasure to present the United States Office of Personnel Management's (OPM) Fiscal Year (FY) 2021 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 public. During FY2021, OPM delivered on a number of important strategic and budgetary efforts that will help position the agency for success in the future. Furthermore, we supported agencies and the Federal workforce with critical services, including human capital management and COVID relief support.

OPM delivered on multiple major strategic and structural obligations, including our 2022-2026 Strategic Plan and our response to the findings issued by the National Academy of Public Administration (NAPA) in their **report**, *Elevating Human Capital: Reframing the U.S. Office of Personnel Management's Leadership Imperative*, dated March 17, 2021. The response – prepared by seven working groups of OPM staff from across the Agency, and guided by a steering committee led by senior OPM officials – reflects our broad agreement with many of the findings of the NAPA report. OPM worked to align our NAPA responses with our forthcoming FY2022-26 Strategic Plan and with our initial FY2023 budget planning. Additionally, OPM conducted analyses and developed strategies to stabilize and sustain agency financial operations, many of which address the NAPA review.

Throughout the year, OPM also facilitated operations at other agencies and supported the federal workforce. We continued to provide technology, cyber security, and other administrative services to sustain the background investigation mission. OPM operated this program until FY 2019 when the function was transferred to the Defense Counterintelligence and Security Agency (DCSA). OPM also played a key support role in federal efforts to combat the COVID-19 pandemic. The American Rescue Plan Act of 2021 created a $570 million Emergency Federal Employee Leave Fund to be administered by the Director of the Office of Personnel Management. OPM has managed this new category of paid leave for Federal employees to get vaccinated, take time away if they are sick, or care for a loved one who is ill.

Our efforts throughout FY 2021 reflect our commitment as an agency to work as hard for the federal workforce as civil servants do for the American people.

Sincerely,

Director Kiran Ahuja
Office of Personnel Management

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

OPM operates from its headquarters in the Theodore Roosevelt Federal 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 2021 gross budget, including appropriated, mandatory administrative authorities and revolving fund activities, totaled $2,265,308,124. In FY 2021, the agency had approximately 2,448 full-time equivalent employees. OPM's discretionary budget authority, excluding the Office of the Inspector General, was $329,755,000. For more information about OPM, please refer to the agency's website, **opm.gov**.

About This Report

The FY 2021 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 2022, OPM will publish its FY 2021 Annual Performance Report (APR). The APR 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 2021 and meets reporting requirements stemming from laws focusing on improved accountability among Federal agencies and guidance described in the Office of Management and Budget (OMB) Circulars A-11, A-123, and A-136. All reports are available on the OPM website at **OPM's Financial 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 details four 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.

OPM is engaged in the development of a new Strategic Plan for FY 2022-2026 that reflects the priorities of the Biden-Harris Administration. The new plan will be published in February 2022.

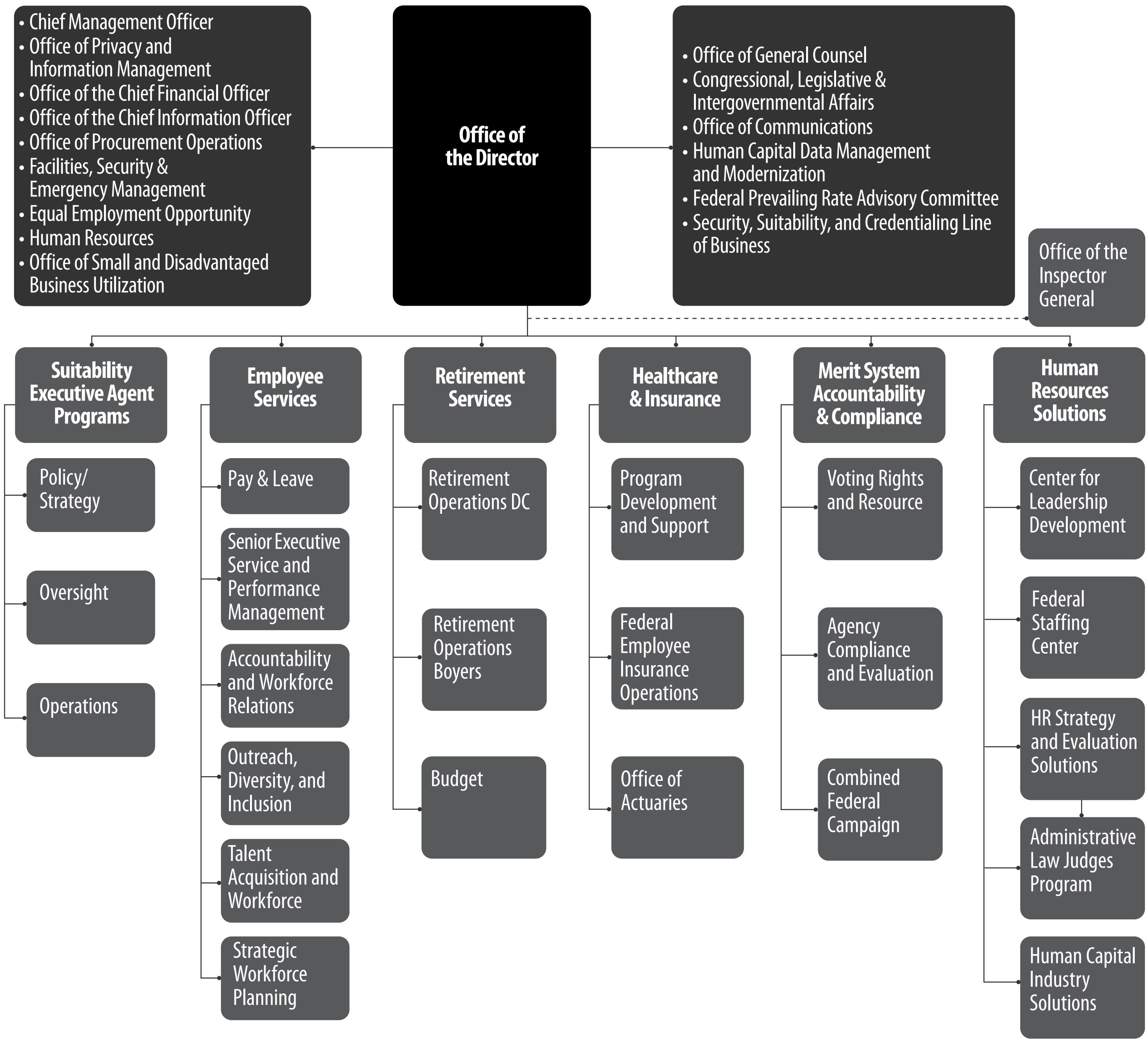
Table 1 – Strategic Goals

Strategic Goal	Objective	Objective Statement
Transform hiring, pay, and benefits across the Federal Government to attract and retain the best civilian workforce	**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 *(discontinued in FY 2021)*
	1.4	Improve healthcare quality and affordability in the FEHB program with 75 percent of enrollees in quality affordable plans
Lead the establishment and modernization of human capital information technology and data management systems and solutions	**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 HR IT that connects all parts of the talent management lifecycle and facilitates 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 Human Resource (HR) data analytics and reduce low-value reporting requirements
Improve integration and communication of OPM services to Federal agencies to meet emerging needs	**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
Optimize agency performance	**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 *(discontinued in FY 2021)*
	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 **Strategic Plan**.

Organizational Framework

OPM's divisions and offices and their employees implement the programs and deliver the services that enable the agency to meet its strategic goals and fulfill its statutory mandates. The agency's organizational framework consists of program divisions and offices that both directly and indirectly support the agency's mission.



Executive Offices

The Office of the Director (OD) provides guidance, leadership, and direction necessary to achieve OPM's mission to lead and serve the Federal Government by delivering policies and services to achieve a trusted, effective civilian workforce. Also 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, and drives the resolution of audit recommendations.

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 facilitate proper resource allocation for the work performed. 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 (DOJ) in its representation of the Government on matters concerning the civilian workforce. OGC also carries out several programmatic, substantive functions that fulfill other statutory or regulatory mandates and, thus, benefit other OPM offices or the Executive Branch as a whole. For example, OGC is responsible for 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, along with DOJ, consults with the United States Office of Government Ethics (OGE) on any regulations related to the Standards of Conduct OGE plans to issue. OPM also administers OPM's internal program for handling claims lodged under the Federal Tort Claims Act and other statutes and determines when OPM personnel or documents should be made available in discovery to parties in litigation to which OPM is not a party.

Congressional, Legislative and Intergovernmental Affairs (CLIA) is the OPM office that fosters and maintains relationships with Members of 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. The office is also responsible for Section 508 Accessibility.

Security, Suitability, and Credentialing Line of Business (SSCLoB) is an interagency organization that is administratively housed within OPM. The SSCLoB supports the Security, Suitability, and Credentialing Performance Accountability Council, including the Suitability & Credentialing and Security Executive Agents (the Director of OPM and the Director of National Intelligence). The Council is chaired by OMB's Deputy Director for Management and is accountable to the President for promoting the alignment of personnel vetting processes and driving enterprise-wide reforms. The SSCLoB assists the Council and the Executive Agents – through the Council's Program Management Office – in its personnel vetting mission by identifying/implementing investments, simplifying the delivery of services, and establishing shared services, as well as promoting reciprocity, efficiency, and effectiveness across the enterprise.

Human Capital Data Management and Modernization (HCDMM) 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 with governance via the Multi-Agency Executive Strategy Committee encompassing the 24 CFO Act agencies; programmatic responsibility for Enterprise Human Resources Integration program that is the primary Government-wide human resources data collection platform, and; the electronic Official Personnel Folder 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, the Human Capital Federal Integrated Framework, and the Human Capital Information Model. 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, the Government Accountability Office (GAO), the White House and other external entities.

Program Offices

Employee Services (ES) administers statutory and regulatory provisions related to recruitment, hiring, classification, strategic workforce planning, pay, leave, performance management and recognition, leadership and employee development, reskilling, work/life/wellness programs, diversity and inclusion, labor and employee relations, and the Administrative Law Judges Program. ES does so by equipping Federal agencies with tools, flexibilities, and authorities, as well as forward-leaning strategic workforce planning, to enable agencies to hire, develop, and retain an effective Federal workforce.

Retirement Services (RS) is responsible for the administration of the Federal Retirement Program covering more than 2.8 million active employees, including the United States Postal Service, and more than 2.7 million annuitants, including survivors. RS also administers, develops, and provides 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. Activities include record maintenance and service credit accounts prior to retirement; initial eligibility determinations at retirement; adjudication of annuity benefits based on age and service, disability, or death based on a myriad of statutes and regulations. Even after a case is adjudicated and added to the annuity roll, OPM continues to serve annuitants by making address or tax status changes to annuitant accounts, sending out 1099-Rs, surveying certain annuitants to confirm their continued eligibility to receive benefits, and conducting other post adjudication activities.

Healthcare and Insurance (HI) consolidates OPM's healthcare and insurance responsibilities into a single organization. This includes contracting, program development, and management functions for the Federal Employees Health Benefits (FEHB) Program, Federal Employees' Group Life Insurance (FEGLI) Program, the Federal Long-Term Care Insurance Program (FLTCIP), the Federal Employees Dental and Vision Insurance Program (FEDVIP), and the Federal Flexible Spending Account Program (FSAFEDS). HI is also responsible for developing regulatory and sub-regulatory guidance for the benefit programs we oversee. HI also manages the annual Federal Benefits Open Season.

Merit System Accountability & Compliance (MSAC) provides rigorous oversight to determine if Federal agency human resources programs are effective and efficient and comply with merit system principles and related civil service regulations. MSAC evaluates agencies' programs through a combination of OPM-led evaluations and as participants in agency-led reviews. The evaluations may focus on all or some of the four systems of OPM's Human Capital Framework: (1) strategic planning and alignment of human resources to mission, (2) performance culture, (3) talent management, and (4) evaluation systems. MSAC reports may identify required corrective actions, which agencies must show evidence of implementing, as well as recommendations for agencies to improve their systems and procedures. MSAC also conducts special cross-cutting studies to assess the use of HR authorities and flexibilities across the Government. Moreover, MSAC reviews and renders decisions on agencies' requests to appoint current or former political appointees to positions in the competitive service, the non-political excepted service, or the senior executive service to verify that such appointments conform to applicable selection requirements and are free of political influence. MSAC is required to report to Congress on its review and determinations concerning these appointments. MSAC also adjudicates classification appeals, job grading appeals, Fair Labor Standards Act claims, compensation and leave claims, and declination of reasonable offer appeals (where the grade or pay is equal to or greater than the retained grade (5 CFR 536.402), all of which provides Federal employees with administrative procedural rights to challenge compensation and related agency decisions without having to resort to seeking redress in Federal courts. MSAC has Government-wide oversight of the Combined Federal Campaign (CFC) and the Voting Rights programs. The mission of the CFC is to promote and support philanthropy through a program that is employee focused, cost-efficient, and effective in providing all Federal employees and annuitants the opportunity to improve the quality of life for all. The Voting Rights Program deploys Federal observers to monitor polling sites (as determined by the Attorney General) and provides written reports to the Department of Justice. Internal Oversight and Compliance serves as the liaison between OPM program offices and oversight groups such as the Office of the Inspector General and GAO, and helps to coordinate audit activities to resolve recommendations.

Human Resources Solutions (HRS) provides customized human capital and training products and services to Federal agencies to maximize their organizational and individual performance and to drive their mission results. Utilizing internal human capital experts and/or private sector partners, HRS helps agencies design effective organizations, recruit and hire top talent, develop and cultivate leaders, build Federal human resource professional capability, manage the performance management process, and achieve long-lasting human capital results. HRS operates under the provisions of the Revolving Fund, 5 U.S.C. §1304 (e)(1), that authorizes OPM to perform personnel management services for Federal agencies on a cost reimbursable basis. HRS 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 cost-reimbursable basis. designed to meet the unique and dynamic needs of the Federal Government. These services operationalize

Government-wide HR policies and other key human capital initiatives to support agencies' mission critical human capital needs. Much of this work is directed by statute, and other aspects are performed at the option of an agency that engages HRS in this work. HRS provides customer agencies with innovative, high quality government-to-government and private-sector solutions to help them develop leaders and 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 employment site; developing specialized assessments and performance management strategies; providing comprehensive HR strategy; providing learning record systems or and learning ecosystems and offering Federal customers human capital management, organizational performance improvement, and training and development expertise delivered through best-in-class contracts.

Suitability Executive Agent (SuitEA) was established as a distinct program office within OPM in December 2016 to strengthen the effectiveness of vetting for and determinations of suitability or fitness for Federal employment or to perform work under a Government contract and eligibility for credentials (that is, logical and physical access to agency systems and facilities) across the Government. SuitEA prescribes suitability, fitness, and credentialing 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. In the wake of the delegation to DoD of investigations relating to suitability, fitness, or credentialing, SuitEA will also be responsible for setting standards for those investigations and exercising oversight over DoD's performance of those investigations.

Mission Support Services

OPM Human Resources (HR) is responsible for OPM's internal human resources management programs. OPM HR supports the human capital needs of program offices throughout the employment lifecycle, from recruiting and hiring candidates for employment opportunities at OPM, to coordinating career development opportunities, to processing retirement applications. The OPM Chief Human Capital Officer (CHCO) leads HR, and is responsible for shaping corporate human resources strategy, policy, and solutions to workforce management challenges within the agency.

Office of the Chief Financial Officer (OCFO) leads and performs OPM's financial management services, accounting, financial systems, budget, performance, enterprise risk management, and internal controls programs which enable the agency to achieve strategic objectives and mission. Additionally, the OCFO facilitates the completion of timely and accurate financial reports that support decision making, comply with Federal requirements, and demonstrate effective management of taxpayer dollars.

Office of the Chief Information Officer (OCIO) defines the enterprise information technology vision, strategy, information technology policies, and cybersecurity for OPM. The OCIO manages and maintains the enterprise network and network services including the Trusted Internet Connection, wide area network infrastructure, telecommunications, cloud, remote user connectivity, partner access, relevant cloud services, and more than 200 applications that support OPM's business operations. Additionally, the OCIO determines and operates the agency's cybersecurity program and protections. The OCIO also determines the most effective use of technology in support of the agency's strategic plan, including the long-term enterprise strategic architectures, platforms, and applications. The OCIO 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 in a manner consistent with Federal law and mandates. The OCIO is responsible for delivering the best of breed productivity tools for the agency's workforce in the hybrid work environment. This includes collaboration tools for video conferencing, enterprise chat and Voice Over IP telephony, and business intelligence tools for all employees. The OCIO also partners with other agencies on Government-wide projects such as IT Modernization, optimizing enterprise services through the OMB Cloud Smart Directive, 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 services in support of other Government agencies' adjudicative programs. FSEM directs the operations and oversees OPM's classified information, industrial security, insider threat, and preparedness and emergency response programs. In addition, it oversees publishing and printing management for internal and external design and reproduction.

Office of Procurement Operations (OPO) awards and administers contracts and interagency agreements. OPO provides acquisition services to OPM's programs and provides assisted acquisition services in support of other Federal agencies that require support under OPM contracts. OPO is responsible for the agency suspension and debarment program, as well as supports the small business utilization efforts for OPM in accordance with law and OPM contracting policies. The Acquisition Policy and Innovation function within OPO provides acquisition policy development and guidance agency-wide, as well as provides compliance and oversight over OPM's procurement program. OPO provides acquisition support and oversight for all Contracting Officers and Contracting Officer 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, including staff training, 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 (OIG) is the independent office that conducts comprehensive audits, investigations, and evaluations relating to OPM programs and operations. It is responsible for administrative actions against health care providers that commit sanctionable offenses with respect to the FEHB Program or other OPM programs. The OIG keeps the Director and Congress fully informed about problems and deficiencies in the administration of agency programs and operations, and the need for and progress of corrective action.

President's Commission on White House Fellows was founded in 1964 and is one of America's most prestigious programs for leadership and public service. White House Fellowships offer exceptional young men and women first-hand experience working at the highest levels of the Federal Government. Selected individuals typically spend one year working as a full-time, paid Fellow to senior White House staff, Cabinet Secretaries, and other top-ranking government officials. Fellows also participate in an education program consisting of roundtable discussions with renowned leaders from the private and public sectors. Fellowships are awarded on a strictly non-partisan basis.

FY 2021 Performance Highlights

This section contains OPM's performance results for two agency priorities: improving the hiring process and improving retirement services. OPM's complete FY 2021 performance results will be published in its FY 2021 APR in February 2022.

Improving the Hiring Process

Progress Update:

OPM leveraged opportunities to improve hiring by implementing regulatory and administrative alternatives found within existing statutes. These include regulations on promotion and internal placement, which give agencies the discretion to reinstate certain former Federal employees without competition to positions at any grade level or with promotion potential for which the individual is qualified; post-secondary and college graduates regulations, establishing hiring authorities for certain college graduates for positions in the competitive service; a refresh of the Pathways Program regulations; and, the "Rule of Many" regulation, which will allow agencies to fully leverage more rigorous assessments in the hiring process. OPM also provided technical guidance on the hiring authority for post-secondary students via a series of webinars and individual agency sessions to more than 600 HR professionals and hiring managers.

OPM provided guidance, technical assistance, and implementation support toward efforts outlined in the FY 2020 OPM memorandum "Improving Federal Hiring through the Effective Assessment Strategies to Advance Mission Outcomes" and Executive Order 13932, Modernizing and Reforming the Assessment and Hiring of Federal Job Candidates. OPM published the Guide to Occupational Questionnaires and provided webinars, technical assistance, and workshops for agencies in support of implementing the guide. Further, OPM collaborated on assessment strategies for identifying talent Government-wide, the use of more effective assessment tools to identify highly qualified applicants and improving the definitions of specialized experience to screen applicants more effectively by differentiating between highly-qualified and minimally-qualified candidates. These efforts included expanding the use of USAHire across the Federal Government and creating assessments for 12 new occupations. In addition, OPM evaluated the impact of the US Digital Services Subject Matter Expert Qualification Assessment pilot. In collaboration with the US Digital Services, OPM expanded the use of such assessments for other occupational groups, most notably data scientists.

The Acting Director signed a memo extending a Government-wide excepted COVID-19 Schedule A Hiring Authority. In addition, OPM extended agency-specific Direct Hire Authority for agencies on the frontlines, including the Department of Veterans Affairs, the Small Business Administration, and the Department of Health and Human Services. To maximize agency use of this authority, OPM provided support to agencies, expediting the ability for agencies to meet hiring needs. Agencies also continued to make use of the OPM-issued temporary flexibility for onboarding and vetting individuals using alternative processes for fingerprint processing. OPM monitored agencies' use of the flexibility to support mission needs.

OPM integrated hiring process improvements with vetting process efficiencies established under the Suitability and Security Executive Agents' "Trusted Workforce 2.0" initiative. OPM identified ways to integrate and improve the flow of human resources and vetting related data in a manner that will improve efficiencies for agencies in hiring and personnel vetting. This included facilitating cross-agency discussions regarding hiring and vetting data management with Department of Defense elements and developing new information technology systems for personnel vetting.

Table 2 – Improving the Hiring Process – Performance Measure

Performance Measure	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2021 Target	FY 2021 Target Met/Not Met
Hiring manager satisfaction that applicants are referred in a timely manner and with the skills to perform the job	71.5	74.3	73.5	77.9	78.5	77.8	Met

Number of survey respondents: 21,403

Improving Retirement Services

Progress Update:

OPM made progress towards its vision of a paperless retirement system. The agency conducted User Experience research on the Online Retirement Application to validate that OPM was building the right products and services to meet customers' expectations, needs, and goals. The research included mapping of the Federal retirement customer journey for Federal employees and annuitants; validating the usability and customer experience of the Online Retirement Application system; and creating customer experience recommendations for the Federal retirement process, which included product roadmap and service experience enhancements. OPM incorporated the findings and recommendations associated with each of these areas into the Application backlog in preparation for the next development cycle.

OPM completed multiple agile sprints with two vendors to develop an annuity calculation service supported by a business rules engine and a user interface that integrates with the calculation service Application Programming Interface. The calculation services items include salary comparisons and the addition of pay status fields, health benefits and life insurance fields, and the incorporation of unused sick leave into the benefit calculation. The development of both the calculations rules and the user interface are scheduled to continue into FY 2022 as RS works to finish development items and conduct integrating and interoperability testing of the two products on the newly established OPM cloud environment.

OPM also acquired a cloud-based Retirement Services Contact Center as a Service, a multi-channel call center solution, which it implemented in October 2021. It includes additional upgraded features such as a knowledge-based system that stores training materials and references, which will be readily available to employees; a chat feature allowing customers to contact the Retirement Information Office via a chat function; and a workforce management application that provides an easier process for employees and managers to schedule and manage work schedules to maximize phone coverage. Additionally, the new functionality provides real-time metrics reporting for increased visibility to workload and performance and provides the ability to make quick adjustments to improve customer service.

The new cloud-centric call center incorporated several additional changes to improve the customer's experience. OPM implemented a significantly higher threshold before a customer would hear a non-informational busy signal. Additionally, callers now receive a message to inform them of their place in the queue and to request a callback. The effects of these changes have resulted in fewer calls because customers do not have to redial to get into the system. Customers have also experienced a higher rate of success when they decide to hold on the line. Unlike the previous system, customers now have more control over how and when their issues are resolved.

OPM also conducted four virtual Federal benefits training events in FY 2021, with more than 1,200 participants, representing 63 Federal agencies, to increase the knowledge of Federal benefits officers and improve their benefits counseling skills.

Table 3(a) - Improving Retirement Services – Performance Measure Number 1

Performance Measure	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2021 Target	FY 2021 Target Met/Not Met
Average number of minutes to answer phone calls	17.7	8.6	6.60	6.30	10.7	≤5	Not Met

Number of calls answered: 1,332,639

Table 3(b) – Improving Retirement Services - Performance Measure Number 2

Performance Measure	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2020 Results	FY 2021 Results	FY 2021 Target	FY 2021 Target Met/Not Met
Average number of days to process retirement cases	67.0	58.6	55.7	68.5	78.9	≤60	Not Met

Number of cases processed: 89,656

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 Office of the Chief Financial Officer 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 2021 APR in February 2022.

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 22nd 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 2021, OPM held $1,118.5 billion in assets, an increase of 22.4 billion from $1,096.1 billion at the end of FY 2020. 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 $1,048.7 billion, which represents 93.8 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 2021, the Total Earned Retirement Program Revenue was less than the applicable cost applied to the Pension Liability by $18.7 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 $34.5 billion for FY 2021.

Liabilities

At the end of FY 2021, OPM's total liabilities were $2,717.9 billion, an increase of 5.9 percent from $2,565.9 billion at the end of FY 2020. Federal Employee Benefits Payable, which primarily consists of Pension Liability, Post-Retirement Health Benefits Liability, and Life Insurance Liability, accounts for 99.9 percent of OPM's liabilities. [See below and Note 5 Federal Employee Benefits for discussion of these liabilities.] These liabilities reflect estimates by professional actuaries of the future cost, expressed in today's dollars, of providing benefits to participants in the future.

To compute these liabilities, the actuaries make assumptions about the future economy and 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 $2,230.6 billion at the end of FY 2021, an increase of $140.9 billion, or 6.7 percent from the end of FY 2020. [See discussion of the Net Cost to Provide CSRS and FERS Benefits below].

The *Post-Retirement Health Benefits Liability*, which represents the future cost to provide health benefits to active employees after they retire and current annuitants, is $412.9 billion at the end of FY 2021. This reflects an increase of approximately $7.5 billion from the amount at the end of FY 2020, or 1.8 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 $2.4 billion in FY 2021 to $58.7 billion, or 4.2 percent from the end of FY 2020. [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 2021 by $1,599.4 billion, primarily due to the large actuarial liabilities and a $71.6 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 4 – Net Assets Available for Benefits – shows that OPM's net assets available to pay benefits have increased by $21.1 billion in FY 2021 to $1,102.9 billion.

Table 4 – Net Assets Available for Benefits

($ in Billions)	FY 2021	FY 2020	Change
Total Assets	$1,118.5	$1,096.1	$22.4
Less "Non-Actuarial" Liabilities	15.6	14.3	1.3
Net Assets Available to Pay Benefits	$1,102.9	$1,081.8	$21.1

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, and HR Services. OPM derives its Net Cost by subtracting the revenues it earned from the gross costs it incurred in providing each of these benefits and services.

OPM's total FY 2021 Net Cost of Operations was a loss of $189.6 billion, as compared with a loss of $155.8 billion in FY 2020. 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 5, the Net Cost of Operations for CSRS Benefits was $92.6 billion in FY 2021, an increase of $35.5 billion from FY 2020. As reported on the SNC, there was a current year loss of $34.2 billion for CSRS due to changes in actuarial assumptions, primarily a decrease to the assumed long-term interest rate. The actuarial loss due to experience is primarily due to actual annuitant COLAs.

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. The FY 2021 Pension Expense also reflected an experience loss primarily due to actual COLA rates being greater than assumed rates.

Contributions by and for CSRS participants decreased in FY 2021 by $28 million from FY 2020 and OPM's earnings on CSRS investments declined by approximately $939 million from the prior fiscal year.

Table 5 – Net Cost to Provide CSRS Benefits

($ in Billions)	FY 2021	FY 2020	Change
Gross Cost	$65.2	$35.0	$30.2
(Net of Assumptions of Gain/Loss)	34.2	29.8	4.4
Associated Revenues	6.7	7.7	(1.0)
Net Cost of Operations	$92.6	$57.1	$35.5

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 $29.9 billion in FY 2021, as compared to the $32.4 billion in FY 2020. 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 6, the Net Cost to Provide FERS Benefits in FY 2021, decreased by $9.3 billion from FY 2020 resulting in a Net Cost of Operations of $70.2 billion for the FY 2021. As with the CSRS, there are three prime determinants of OPM's net cost to provide FERS benefits: one cost category: the actuarially computed Pension Expense; and two categories of earned revenue: 1) contributions by and for participants, and 2) earnings on FERS investments. The Pension Expense for FERS is the amount of future benefits earned by participants during the current fiscal year, including net actuarial losses and interest costs on the accrued actuarial liability.

For FY 2021, OPM incurred a Pension Expense for FERS of $135.6 billion, as compared with $140.9 billion in FY 2020. The primary reason for the decrease in FERS pension expense was a smaller loss due to changes in long-term actuarial economic assumptions. There was an actuarial loss of $42.6 billion in FY 2021, 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 2021 Pension Expense also reflected an experience loss primarily due to actual COLA rates being greater than assumed rates.

Contributions by and for FERS participants increased by $4,654 million, or 10.8 percent from the prior FY 2020, due to the increase in FERS payroll primarily as a result of general salary increases.

Table 6 – Net Cost to Provide FERS Benefits

($ in Billions)	FY 2021	FY 2020	Change
Gross Cost	$94.4	$87.7	$6.7
(Net of Assumptions of Gain/Loss)	42.6	54.6	(12)
Associated Revenues	66.8	62.8	4.0
Net Cost of Operations	$70.2	$79.5	$(9.3)

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 2021 OPM paid FERS benefits of $23.4 billion, compared with $21.2 billion in FY 2020. 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 2021 increased by $7.5 billion from that in FY 2020, see Table 7. 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 7 – Net Cost to Provide Health Benefits

($ in Billions)	FY 2021	FY 2020	Change
Gross Cost	$65.4	$59.1	$6.3
(Net of Assumptions of Gain/Loss)	7.0	4.4	2.6
Associated Revenues	47.4	45.9	1.5
Net Cost of Operations	$25.1	$17.6	$7.5

The Postal Service Retiree Health Benefits Fund (PSRHBF) is included in the Health Benefits Program. The USPS was required by Public Law (PL) to make a series of fixed payments to the PSRHBF maintained by OPM up to and including FY 2021. The total amount due to the PSRHBF from the USPS is $57 billion: $51.9 billion due from FY 2011 – FY 2020 and $5.1 billion for FY 2021. As of September 30, 2021, the Postal Service has indicated payment of the total $57.0 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 2021-01, Loss Allowance on Intragovernmental Receivables, beginning in FY 2021 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 2021, OPM incurred a PRHB expense of $23.4 billion, as compared with $19.5 billion in FY 2020. 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 2021. However, the contributions (for and by participants) increased by $1,730 million from FY 2020 to FY 2021. As discussed above, in FY 2021, a total of $57 billion in payments was due to the PSRHB Fund from the USPS. However, beginning in FY 2021 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 8.

Table 8 – Disclosed and Applied Costs to Provide Health Benefits

($ in Billions)	Disclosed	Applied to PRHB	Total FY 2021	Total FY 2020
Claims	$35.9	$13.4	$49.3	$45.1
Premium Expense	4.4	2.1	6.5	6.5
Administrative Expense and Other	$3.5	$0.3	$3.8	$3.9

Net Cost to Provide Life Insurance Benefits

As seen in Table 9, the Net Cost (Net Income) to Provide Life Insurance Benefits increased from a Net Cost of $1.4 billion in FY 2020 to Net Cost of $1.6 billion in FY 2021. Gross Cost increased $0.1 billion for FY 2021 as compared to FY 2020, with an actuarial loss of $1.1 billion. The Associated Revenues were $4.7 billion for FY 2021 and FY 2020. 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 2021 and FY 2020. 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 2021 as compared to FY 2020.

Table 9 – Net Cost to Provide Life Insurance Benefits

($ in Billions)	FY 2021	FY 2020	Change
Gross Cost	$5.2	$5.1	$0.1
(Net of Assumptions of Gain/Loss)	1.1	1.0	0.1
Associated Revenues	4.7	4.7	-
Net Cost (Income) of Operations	$1.6	$1.4	$0.2

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 $296.2 billion in budgetary resources was available to OPM for FY 2021, OPM's budgetary resources in FY 2021 included $75.0 billion (25.3 percent) carried over from FY 2020, plus three major additional sources:

- Appropriations Received = $60.0 billion (20.3 percent)
- Trust Fund receipts of $117.7 billion, less $21.0 billion not available = $96.7 billion (32.6 percent)
- Spending authority from offsetting collections (SAOC) = $64.1 billion (21.6 percent)

Total budgetary resources do not include $23.9 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 $38.9 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. See Tables 10 and 11 for information on Sources of Budgetary Resources and Obligations Incurred by Program.

Table 10 – Sources of Budgetary Resources

Source	FY 2021	FY 2020
Trust Fund Receipts	32.8%	32.9%
Balance Brought Forward from Prior Year	25.3%	25.1%
Spending Authority from Offsetting Collections	21.6%	21.5%
Appropriations	20.3%	20.5%

Trust Fund Receipts are Retirement Program and PSRHB Fund contributions and withholdings from participants, and interest on investments. *Spending Authority from Offsetting Collections* includes contributions made by and for those participating in the Health Benefits and Life Insurance, and revenues in Revolving Fund Programs.

Table 11 – Obligations Incurred by Program

Obligation	FY 2021	FY 2020
Retirement Benefits	62.4%	64.0%
Health Benefits	35.1%	33.9%
Life Insurance Benefits	1.8%	1.6%
Other	0.7%	0.5%

From the $296.2 billion in budgetary resources OPM had available during FY 2021, it incurred obligations of $221.6 billion less the $45.9 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 $38.9 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 2021 over the obligations it incurred against those resources is classified as being "unavailable" for obligation at year-end.

In response to COVID-19, in FY 2020, OPM received approximately $12.1 million as a supplemental appropriation 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 2020, a total of $10.9 million obligations were incurred. For FY 2021, a total of $0.5 million obligations were incurred leaving an unobligated balance of $0.7 million available in FY 2022 with a total fund balance with Treasury of $1.5 million, after which those remaining funds will expire. Refer to Note 16 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 2021 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, 2021, except for the material weaknesses 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.

Kiran A. Ahuja 11/12/21

Kiran A. Ahuja
Director

Date

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.

Appendix A also requires that agencies develop and maintain a Data Quality Plan (DQP) that considers the incremental risks to data quality in federal spending data and any controls that would manage such risks in accordance with OMB Circular 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 2021, our testing was limited to determining whether the key controls documented in the plan are designed appropriately.

Exhibit A – Summary of Material Weaknesses

Information Security Governance Program

In its audit of OPM's compliance with FISMA, OIG reported that, in FY 2021, OPM's cybersecurity Maturity level is measured as "2 - Defined." While continued maturity is necessary, OPM made progress in FY 2021 closing 21 prior recommendations.

OIG stated that the FY 2021 FISMA Inspector General reporting metrics use a maturity model evaluation system derived from the National

Institute of Standards and Technology's Cybersecurity Framework. The Cybersecurity Framework is comprised of nine "domain" areas and the modes (i.e., the number that appears most often) of the domain scores are used to derive the agency's overall cybersecurity score. These nine domains are broad cyber security control areas used to assess the effectiveness of the information security policies, procedures, and practices of the agency. Each domain is comprised of a series of individual metrics, which are the specific controls that they evaluate and test when assessing the agency's cybersecurity program. Each metric receives a maturity level rating of 1-5.

Information System Control Environment

In FY 2021, 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 2021 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 these material weaknesses 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 Systems

The Federal Financial Management Improvement Act of 1996 (FFMIA) was established to ensure that Federal financial management systems provide accurate, reliable, and timely financial management information to the Federal Government managers and leaders. Further, the Act required this disclosure be done on a basis that is uniform across the Federal Government from year to year by consistently using professionally accepted accounting standards. Specifically, FFMIA requires each agency to implement and maintain systems that comply substantially with:

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

OPM completed an assessment of the systems of internal control against the FFMIA guidelines. OPM determined that for FY 2021, except for the financial management systems requirements, as noted in Exhibit B. OPM 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. OCFO 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) is a management decision-making tool that provides enhanced transparency into Agency spending and cost-of-services. The efforts of the ECAS team in FY 2021 led to increased accuracy and availability of ECAS' outputs; information which can be used by OPM employees to help formulate budgets, set prices for services, allow for fact-based decision-making, and enhance productivity.

In FY 2021, the ECAS system support team hosted informational training sessions for program office End Users. These sessions facilitated their understanding of the system's capabilities and potential uses. In particular, the ECAS team was able to provide in-depth instruction on how to use the dashboard reporting tool to extract granular detail from the system and demonstrate some of the advanced use cases that were built into the system. The sessions also were an opportunity to hold collaborative discussion on the future of OPM's Cost Accounting Program.

Additionally, this year provided an opportunity to update the underlying assumptions of the ECAS cost model to account for the sweeping organizational changes that the Agency underwent over the course of the previous year. As a result, many model structures and assumptions required review and revision to reflect the changes. As of year-end FY 2021, the ECAS system will be at a finalized baseline structure and dataset. Changes to the cost model will be regulated by an ECAS Governance Charter, where adjustments to model components such as activities, cost drivers, or allocations will undergo rigorous review by the ECAS Governance Board. Finally, the ECAS system has added to its list of advanced use cases beyond providing enhanced transparency to the Agency's resource management officers and financial personnel. For FY 2021, the ECAS team will produce enhanced reporting around Common Services Fund consumption by mission-facing activities, Retirement Services Production Reporting, and Technology Business Management. Operations and Maintenance support for ECAS will continue in FY 2022 to provide cost accounting expertise and maintain system operations.

Since 2017, OPM has leveraged the Budget Management System's (BMS) capabilities to develop and publish budget submissions to the OMB and Congress annual requests as well as OPM's Congressional Budget Justification (CBJ), Annual Performance Plan (APP) and Congressional Operational Plan (COP). This budget and performance management system spans across the agency and includes 70+ users from every program office at OPM. It continues to serve as OPM's core budget and performance system. In support of OPM's mission, BMS provides expanded budget development and operating plan functionality, leverages internal personnel models that incorporate locality pay adjustments, GS pay scales, and benefits and awards percentages based on prior-period actuals. In FY 2021, BMS was updated to include OPM's new FY 2022-FY 2026 Strategic Plan that programs used to align their FY 2023 budget requirements. Additionally, the Performance Management Application (PMA) in BMS was redesigned to capture actual performance measure data, measure dimensions, aggregation types, frequency, and target types. Another planned enhancement goal is to build the capability to capture large narrative text to record, edit or track changes to performance information for future submissions of the APR and APP.

In May of FY 2021, OPM successfully migrated the Consolidated Business Information System (CBIS) to the Department of Transportation, Federal Aviation Administration's (FAA) Enterprise Service Center (ESC) Delphi platform. This effort began with the initial task involved with OPM completing a "Lift and Shift" move of CBIS to the FAA ESC datacenter to assist in adopting an upgraded technology platform and to reduce overall technology risk and to consolidate costs. With the approval of the OMB, GSA's Unified Shared Service Management (USSM) and Treasury's Quality Service Management Office (QSMO) provided to OPM to move forward with the implementation to the FAA ESC shared solution. In the second quarter of FY 2021, OPM concluded over a year-long data cleansing effort to address the closing of any outstanding prior year financial transactions, to ensure the reconciliation of the subledger to the general ledger, and to minimize any conversion issues. OPM and FAA

ESC concluded the life cycle project plan to migrate to Delphi and ESC Prism solution by completing the deployment phase and engaging in the postproduction phase of the project for support and stabilization of the environment.

Migration benefits have included the ability to enforce multi-factor authentication using Personal Identity Verification (PIV) credentials as mandated by OMB M-11-11 and to transact on supported software that provide more secure data transfer method across networks utilizing Transport Layer Security (TLS) 1.2. Additionally, key areas addressed for the OCFO included implementing iSupplier application to enable OPM to adopt ESC's electronic invoicing solution to support OMB M-15-19, automating Fixed Assets process through use of Delphi's Fixed Assets module and leveraging ESC's Month End and Year End Close processes and procedures to reduce down time of the financial system while allowing for more timely and accurate financial reporting.

OPM continues to actively plan for G-Invoicing implementation through use of leveraging ESC's shared solution model and goal of becoming an early adopter to the meet the mandate requirement beginning in Fiscal Year 2023 that all new IGT Buy/Sell orders must be processed through G-Invoicing. OPM has also partnered with ESC to configure and implement a process to support the American Rescue Plan Act to allow Federal agencies to submit for reimbursement for employees on leave due to COVID-19 factors.

A newly developed OPM strategic priority aims to "provide innovative and data-driven solutions" that enable the agency to deliver the mission. The Trust Funds Modernization (TFM) effort aligns with this priority as it aims to transform trust funds financial management by replacing the aged, unsupported Federal Financial System (FFS) and streamlining the business processes used to manage the Earned Benefits Trust Funds administered by OPM. The expected TFM benefits include administrative and operational costs reduction, financial management efficiency improvements, and manual processes reduction that result in improved error handling and improved service delivery to OPM customers.

In FY 2017, OPM began the TFM Plan Phase that 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. The FFRDC conducted an independent analysis of OPM trust funds operations in FY 2018. As part of that effort, the FFRDC developed the TFM Solution Concept which outlined the 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 that addressed 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 shared service experience (23 years) and its OMB designation as both a "Center of Excellence" and the financial management 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 improved agency mission delivery outcomes, enhanced customer service, and standardized administrative services that leverage 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, assessing partnership viability, and eliciting the detailed requirements needed to drive system configuration and migration activities.

In FY 2021, OPM continued Release 1 migration activities with Treasury ARC. These activities include design, build, and configure actions aimed at preparing the Treasury ARC solution to support the OPM trust funds financial management activities. Additionally, OPM began data migration activities aligned to support upcoming test and demonstration events designed to ensure a smooth OPM transition to the Treasury ARC shared services environment.

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 an Online Bill Pay (OLBP) functionality (provided by Treasury) implementation. OLBP allows OPM customers to submit payments electronically via their financial institutions which helps streamline agency cash management processes. In December 2020, OPM completed the final OLBP functionality deployment making the remaining two (2) of seven (7) cash management processes eligible for online payments.

OPM also launched the Headcount Automation initiative in FY 2019 which provides the ability to collect earned benefit program aggregated 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. Adoption rates near 100% with the vast majority of Federal Payroll Office actively using the HCS system to submit semi-annual reports.

In FY 2022, OPM will continue to partner with Treasury ARC on development and configuration activities as well as to prepare for and execute user acceptance testing and training for the FY 2023 Release 1, Core Financial Management and Investment Management functionality implementation. OPM will also begin Release 2, Health Insurance Carrier Letter of Credit (LOC) Optimization planning activities. 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.

With the transition to shared services solution, new reporting capabilities are now available to OPM users. The financial reporting tools included in the applications will support the CFO in its transformative vision and future state of the organization that seeks to enhance the customer experience through data intelligence, analytics, and service delivery. OPM and its 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 systems 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, 2020 through September 30, 2021 Table 12 – Inspector General Audit Findings provides a summary of OIG's audit findings and actions taken in response by OPM management during this period.

Table 12 – Inspector General Audit Findings

FY 2021	Number of Reports	Questioned Costs ($ in Millions)
Reports with no management decision on October 1, 2020	4	$6.9
New reports requiring management decisions	10[1]	30.0
Management decisions made during the year	11	21.7
Net disallowed costs	–	19.7[2]
Net allowed costs	–	2.0[3]
Reports with no management decision on September 30, 2020	3	15.2

Source: Audit Reports and Receivables Tracking System reports: Audit Reports Issued with Questioned Costs for reporting periods October 1, 2020 through March 31, 2021 and April 1, 2021 through September 30, 2021.

Purpose: To provide data to the OCFO to be included in the fiscal year 2021 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 2021.

In FY 2021, OPM's cybersecurity maturity level is measured as "2 – Defined."

Before the kick-off of the FY 2021 FISMA audit, the agency completed self-assessment of the FISMA metrics to determine our current maturity level status and future metric goals for the next two fiscal years. This self-assessment allowed the agency and the OIG to focus discussions, goals, fieldwork and audit recommendations on the current maturity level status and achievable targets specific to our operating environment and priorities established by the Chief Information Officer (CIO).

The resulting FISMA audit recommendations and cybersecurity maturity level ratings established by the OIG are under review by the Agency. Corrective actions taken by OPM in FY 2021, and the new approach to the FISMA audit, resulted in the closure of 21 prior year FISMA recommendations. OPM is committed to working with the OIG to improve its IT operations and services.

With the onboarding of the agency Chief Technology Officer, OPM will review Identity, Credential, and Access Management (ICAM) requirements and 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.

OPM is also pleased to report that we have continued to retain a CIGIE Maturity Model Level 4, Managed and Measurable status for the Incident Response metrics through the OPM Security Operations Center (SOC) efforts.

Building on the momentum of the audit finding resolution efforts with GAO and OIG, and in addition to the 21 aforementioned prior year FISMA recommendations closed, the agency successfully closed over 20 additional cybersecurity recommendations from other previous audit engagements. OPM is committed 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 work. Over the next two years, OPM will continue migration efforts to new financial systems through shared services. OPM will migrate to new financial systems through shared services with Treasury's Administration Resource Center (ARC) solutions. Ultimately, this will enhance OPM's financial reportability and transparency. Additionally, OPM spent the majority of FY 2021 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 on OPM's financial statements for 22 consecutive years. 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 2021 Financial Information

Message from the Chief Financial Officer

I am pleased to present the Office of Personnel Management's (OPM) Agency Financial Report (AFR) for Fiscal Year (FY) 2021. OPM received an unmodified audit opinion on its consolidated financial statements for the 22nd consecutive year. Despite the complexity of OPM's financial portfolio, we continue to make steady progress toward modernization. In FY 2021, the Office of the Chief Financial Officer (OCFO) continued to pursue strategic initiatives that introduce innovation and promote transparency. These efforts improve efficiency and provide tools for the agency to skillfully and effectively manage the resources over which we have responsibility.

OPM's financial management modernization efforts continued to be a significant focus for OCFO in FY 2021. OPM successfully migrated the Consolidated Business Information System to the Federal Aviation Administration's (FAA) Enterprise Service Center (ESC) Delphi financial management solution. OPM's migration to Delphi extends the transition to a shared service model for routine financial management and transaction processing. The use of shared services allows OPM, and more specifically the OCFO, to focus on analytics and financial advisory for OPM programs. This significant achievement also illustrates OPM's commitment to innovation.

The ingenuity of our staff was demonstrated when Congress tasked OPM to administer a $570 million Emergency Federal Employee Federal Leave Fund (Fund) in response to the COVID-19 pandemic. Amounts in the Fund were available for reimbursement to Federal agencies whose employees used leave under section § 4001 of the American Rescue Plan Act of 2021. Despite the short timeframe between the passage of the legislation and its effective date, OPM successfully launched this program and made the funding available to eligible agencies across the Federal government.

Going forward, OCFO will continue to provide services and tools to equip OPM programs to effectively and efficiently deliver on its mission. OPM remains steadfast in our commitment to provide excellent financial stewardship over the resources entrusted to us by American taxpayers.

Sincerely,

Margaret P. Pearson

Margaret P. Pearson
Acting Chief Financial Officer

Transmittal from OPM's Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

November 12, 2021

Report No. 4A-CF-00-21-027

MEMORANDUM FOR KIRAN A. AHUJA
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: 2021.11.12 13:49:20 -05'00'

SUBJECT: Audit of the U.S. Office of Personnel Management's Fiscal Year 2021 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 2021 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, 2021 and 2020. 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. 21-04, *Audit Requirements for Federal Financial Statements*.

Grant Thornton's audit report for Fiscal Year 2021 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. The results of Grant Thornton's audit included the following:

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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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

- Grant Thornton's report did not identify any significant deficiencies.

  A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- Grant Thornton's report identified instances of non-compliance with the Federal Financial Management Improvement Act 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 2021 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 21-04, 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

- 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 12, 2021, 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 606-3811, or you may have a member of your staff contact Michael R. Esser, Assistant Inspector General for Audits, at 606-2143.

Attachment

cc: Anne Harkavy
Chief of Staff

Dennis D. Coleman
Chief Management Officer

Lynn D. Eisenberg
General Counsel

Honorable Kiran A. Ahuja 4

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Acting Chief Financial Officer

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Mark W. Lambert
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Independent Auditors' Report

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Kiran A. Ahuja, 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 the United States Office of Personnel Management (the "Agency"), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, 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, 2021 and 2020, 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 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin 21-04 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

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the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's 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, 2021 and 2020, 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, 2021 and 2020, 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

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and for the years ended September 30, 2021 and 2020 (Schedules 1 through 3) and the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) columns in the consolidating statements of net cost for the years ended September 30, 2021 and 2020 (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 12, 2021, 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 12, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Kiran A. Ahuja, Director
United States Office of Personnel Management

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. 21-04, *Audit Requirements for Federal Financial Statements*, the financial statements of the United States Office of Personnel Management (the "Agency"), which comprise the consolidated balance sheet as of September 30, 2021 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, 2021, 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 12, 2021, 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.

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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.

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Our internal control testing covered both general and application controls. General controls encompass the security management program, access controls, configuration management, segregation of duties, and backup controls. General controls provide the foundation for the integrity of systems including applications and the system software which make up the general support systems for an organization's major applications. General controls, combined with application level controls, are critical to ensure accurate and complete processing of transactions and integrity of stored data. Application controls include controls over the input, processing, and output of data as well as interface controls. These controls provide assurance over the completeness, accuracy, and validity of data. Our audit included testing of OPM's mainframe, networks, databases, applications, and other supporting systems that reside in Macon, GA, and Boyers, PA.

During FY 2021, deficiencies noted in FY 2020 continued to exist and our testing identified similar control issues in both the design and operation of key controls. We believe that, in many cases, these deficiencies continue to exist because of one, or a combination, of the following:

- Oversight and governance 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 2021 included repetitive conditions consistent with prior years, as well as new deficiencies. The deficiencies in OPM's IS control environment are in the areas of Security Management, Logical Access, Configuration Management and Interface / Data Transmission Controls. In the aggregate, these deficiencies are considered to be a Material Weakness.

Security Management

Appropriate security management controls provide reasonable assurance that the security of an Agency's IS control environment is effective. Such controls include, amongst others, security management programs, periodic assessments and validation of risk, security control policies and procedures, and security awareness training. Due to inconsistent adherence to policies and procedures related to key information system controls, we noted the following security management control weaknesses:

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

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

- OPM did not have a system in place to identify and generate a complete and accurate listing of 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 perform a comprehensive and timely review of applicable Service Organization Controls (SOC) reports.

- Application databases were not scanned for vulnerabilities.

Incomplete and inaccurate system documentation present the risk that personnel do not adhere to required processes and controls, and in some cases, prohibits the auditor from testing select FISCAM domains. The lack of comprehensive and consistent continuous monitoring activities and risk assessments as well as the lack of comprehensive tracking or periodic review of vulnerabilities or known system weaknesses present the risk that personnel do not identify and remediate weaknesses in their environment in a timely manner. Additionally, without a comprehensive understanding of all devices, software and systems and the controls, OPM is unable to provide comprehensive security oversight or risk mitigation in the protection of its resources. 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 comprehensive and timely review of controls performed by third parties, OPM is unable to validate that the internal control environment can mitigate risks. Lastly, without comprehensive separation processes, contractors may retain lingering access to systems. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

Logical Access

Access controls limit or detect inappropriate access to computer resources, protecting them from unauthorized modification, loss, and disclosure. Logical access controls require users to authenticate themselves while limiting the data and other resources that authenticated users can access and actions they can execute. Due to inconsistent adherence to policies and procedures related to key information system controls, we noted the following weaknesses in logical access controls:

- Users, including those with privileged access, were not appropriately provisioned and de-provisioned access from OPM's information systems.

- OPM did not comply with their policies regarding the periodic recertification of the appropriateness of user access.

- Financial applications assessed are not compliant with OMB-M-11-11 Continued Implementation of Homeland Security Presidential Directive (HSPD) 12 Policy for a Common Identification Standard for Federal Employees and Contractors or Personal Identity Verification (PIV) and OPM policy which requires the two-factor authentication.

- Application password policy did not align to OPM password policy.

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- 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.

Incomplete documentation that outlines systematic roles and responsibilities as well as segregation of duties conflicts presents the risk that individuals have access to data or the ability to perform functions outside of their job responsibilities. Additionally, because of the lack of proper access provisioning and termination processes as well as the lack of comprehensive recertifications of user access, individuals may be able to gain unauthorized access to systems. Lack of comprehensive audit logging and monitoring controls present the risk that individuals perform unauthorized actions within the application without investigation and recourse. Additionally, application password policies that are not in alignment with Agency policies increases the risk that stringent password settings are not enforced. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

Configuration Management

Appropriate configuration management controls provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended. Such controls include, amongst others, effective configuration management policies, plans, and procedures; proper authorization, testing, approval, and tracking of all configuration changes; and routine monitoring of the systems configuration. Due to inconsistent adherence to policies and procedures related to configuration management controls, we noted the following weaknesses in configuration management controls:

- OPM did not have the ability to generate a complete and accurate listing of modifications made to configuration items to the 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.

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- OPM did not validate that changes migrated to production were authorized in accordance with policy requirements.

Well established configuration management controls prevent unauthorized changes to the application and provide reasonable assurance that systems are configured and operating securely and as intended. Included in these configuration management controls is the ability to systematically track all changes that were modified and migrated to the production environment, validate that all changes migrated to production are authorized and valid, and separate development and migration duties. Additionally, without restrictive configuration settings, as well as a periodic assessment to ensure that settings are appropriate, the risk that systems are not secure increases. The issues presented above may increase the risk of financial systems being compromised and may result in the unauthorized use, modification, or disclosure of financially relevant transactions or data.

Interface / Data Transmission Controls:

Interface / data transmission controls provide for the timely, accurate, and complete processing of information between applications and other feeder and receiving systems on an on-going basis. Due to inconsistent adherence to policies and procedures related to key information system controls, we noted the following weaknesses and deficiencies during our testing:

- 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, there is an increased risk that that data processing was incomplete. Additionally, incomplete or inaccurate data may transfer between systems which may impact the completeness, accuracy, and validity of data.

Recommendations

We recommend that the Office of the Chief Information Officer (OCIO), in coordination with system owners, enforce and monitor the implementation of corrective actions to:

Security Management

- Review and update system documentation (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 receiving and reviewing SOC reports for systems that are leveraged by the agency and hosted and / or maintained by third parties.
- Ensure that all system and application assets are included within vulnerability scans.

Logical Access

- Ensure policies and procedures governing the provisioning and de-provisioning of access to information systems are followed in a timely manner and documentation of completion of these processes is maintained.
- Perform a comprehensive periodic review of the appropriateness of personnel with access to systems.
- Implement two-factor authentication for applications.
- Document access rights to systems to include roles, role descriptions, privileges or activities associated with each role, and role or activity assignments that may cause a segregation of duties conflict.
- Prepare audit logging and monitoring procedures for databases within application boundaries. Review audit logs on a pre-defined periodic basis for violations or suspicious activity and identify individuals responsible for follow up or elevation of issues to the appropriate team members for review. The review of audit logs should be documented for record retention purposes.
- Establish a means of documenting all users who have access to systems, and all users who had their systems access revoked.
- Update application password policies to align with agency policies.

Configuration Management

- Establish a mechanism to systematically track all configuration items that are migrated to production in order to produce a complete and accurate listing of all configuration items. Further, develop, document, implement, and enforce

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requirements and processes to periodically validate that all configuration items migrated to production are authorized and valid.

- 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.

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 with target remediation dates in the new fiscal year. Further, the Agency's new CIO has made it an executive priority to properly address findings and recommendations. The CIO will reinforce the importance of preventing and resolving findings and recommendations with the OCIO leadership and management teams.

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.

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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 12, 2021

Consolidated Financial Statements

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATED BALANCE SHEETS

As of September 30, 2021 and September 30, 2020

(In Millions)

	FY 2021	FY 2020
ASSETS		
Intragovernmental:		
Fund Balance with Treasury [Note 2]	$62,999	$2,181
Investments, Net [Note 3]	1,048,734	1,087,793
Accounts Receivable, Net [Note 4]	3,705	3,207
Total Intragovernmental	1,115,438	1,093,181
Other than intragovernmental/With the public:		
Accounts Receivable from the Public, Net [Note 4]	2,105	1,983
General Property and Equipment, Net	5	5
Other [Note 1L]	964	921
Total other than intragovernmental/with the public	3,074	2,909
TOTAL ASSETS	$1,118,512	$1,096,090
LIABILITIES		
Intragovernmental: [Note 6]		
Accounts Payable	$263	$270
Advances from Others and Deferred Revenues	$126	$237
Total Intragovernmental	$389	$507
Other than intragovernmental/With the public:		
Accounts payable	91	6
Advances from others and deferred revenue	35	49
Federal Employee Benefits Payable [Notes 5A, 5B and 5C]	2,715,795	2,563,930
Other [Note 6]	1,595	1,373
Total Other than intragovernmental/With the public	2,717,516	2,565,358
TOTAL LIABILITIES	2,717,905	2,565,865
Commitments and Contingencies [Note 7]		
NET POSITION		
Unexpended Appropriations-Funds from Other than Dedicated Collections	390	64
Cumulative Results of Operations-Funds from other than Dedicated Collections	(1,599,783)	(1,469,839)
TOTAL NET POSITION	(1,599,393)	(1,469,775)
TOTAL LIABILITIES AND NET POSITION	$1,118,512	$1,096,090

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, 2021 and 2020

(In Millions)

		FY 2021	FY 2020
Provide CSRS Benefits	Gross Costs	$65,185	$34,979
	Less: Earned Revenue	6,741	7,697
	Net Cost	58,444	27,282
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5A]	34,156	29,802
	Net Cost of Operations [Notes 8 and 9]	$92,600	$57,084
Provide FERS Benefits	Gross Costs	$94,434	$87,692
	Less: Earned Revenue	66,831	62,818
	Net Cost	27,603	24,874
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5A]	42,636	54,612
	Net Cost of Operations [Notes 8 and 9]	$70,239	$79,486
Provide Health Benefits	Gross Costs	$65,426	$59,059
	Less: Earned Revenue	47,408	45,858
	Net Cost	18,018	13,201
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5B]	7,045	4,363
	Net Cost of Operations [Notes 8 and 9]	$25,063	$17,564
Provide Life Insurance Benefits	Gross Costs	$5,237	$5,093
	Less: Earned Revenue	4,689	4,735
	Net Cost	548	358
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5C]	1,080	1,072
	Net Cost of Operations [Notes 8 and 9]	$1,628	$1,430
Provide Human Resource Services	Gross Costs	$725	$683
	Less: Earned Revenue	643	459
	Net Cost of Operations [Notes 8 and 9]	$82	$224
Total Net Cost of Operations	Gross Costs	$231,007	$187,506
	Less: Earned Revenue	126,312	121,567
	Net Cost	104,695	65,939
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Notes 5A, 5B, and 5C]	84,917	89,849
	Net Cost of Operations [Notes 8 and 9]	$189,612	$155,788

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, 2021 and 2020

(In Millions)

	FY 2021	FY 2020
UNEXPENDED APPROPRIATIONS		
Beginning Balance	$64	$58
Budgetary Financing Sources:		
Appropriations Received	60,582	59,700
Other Adjustments	(235)	(477)
Appropriations Used	(60,021)	(59,217)
Total Budgetary Financing Sources	$326	6
Total Unexpended Appropriations - Ending Balance	390	64
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	($1,469,838)	($1,317,102)
Adjustments:		
Changes in Accounting Principles	-	($55,433)
Beginning Balances, as Adjusted	($1,469,838)	($1,372,535)
Budgetary Financing Sources:		
Appropriations Used	60,021	59,217
Transfer-In/Out Without Reimbursement	(365)	(1,259)
Other Financing Sources	10	527
Total Financing Sources	59,666	58,485
Net Cost of Operations	189,612	155,788
Net Change	(129,946)	(97,303)
Cumulative Results of Operations - Ending Balance	($1,599,784)	($1,469,838)
NET POSITION	($1,599,394)	($1,469,774)

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, 2021 and 2020

(In Millions)

	FY 2021	FY 2020
BUDGETARY RESOURCES		
Unobligated Balance, from Prior Year Budget Authority,	**$75,011**	**$72,679**
Appropriations	**157,001**	**154,435**
Spending Authority from Offsetting Collections	**64,154**	**62,136**
Total Budgetary Resources	**$296,166**	**$289,250**
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments [Note 11]	**$221,601**	**$214,336**
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	**613**	**363**
Exempt from Apportionment, Unexpired Accounts	**-**	**-**
Unapportioned, Unexpired Accounts	**73,880**	**74,490**
Expired, Unobligated Balance, End of Year	**72**	**61**
Total Unobligated Balance, End of Year	**74,565**	**74,914**
Total Budgetary Resources	**$296,166**	**$289,250**
OUTLAYS, NET		
Outlays, Net	**$155,641**	**$152,653**
Less: Distributed Offsetting Receipts	**47,037**	**47,030**
Agency Outlays, Net	**$108,604**	**$105,623**

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

Notes to Financial Statements

Notes to OPM 2021 Agency Financial Report

September 30, 2021 and 2020 [$ in millions]

The numbers presented throughout the FY 2021 Notes to the Financial Statements may not tie exactly to the totals provided in the financial statements due to rounding.

Note 1, Summary of Significant Accounting Policies

A. Reporting Entity

The United States (U.S.) Office of Personnel Management (OPM) is the Federal Government's human resources (HR) agency. It was created as an independent agency of the Executive Branch of Government on January 1, 1979. Many of the functions of the former Civil Service Commission were transferred to OPM at that time.

The accompanying financial statements present OPM's financial position, net cost of operations, changes in net position, and status of budgetary resources, as required by the Chief Financial Officers Act of 1990 (CFO Act), the Government Management Reform Act of 1994 (GMRA), and OMB Circular No. A-136, "*Financial Reporting Requirements*." The financial statements include all accounts — appropriation, trust, trust revolving, special and revolving funds — under OPM's control. OPM is a component of the U.S. Government. For this reason, some of the assets and liabilities reported may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

The financial statements comprise the following major programs administered by OPM: The funds related to the operation of the Retirement Program, the Health Benefits Program, and the Life Insurance Program. The statutory authority for OPM's Federal employees' benefit programs can be found in Title 5, United States Code (USC); Chapters 83 and 84 provide a complete description of the Civil Service Retirement and Disability Fund's provisions; Chapter 89 provides a complete description of the Employees' Health Benefits Fund and the Retired Employees' Health Benefits Fund provisions; and Chapter 87 provides a complete description of the Employees' Group Life Insurance Fund provisions. 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 (FRAE) was established in 2013 and became effective on January 1, 2014. Both defined-benefit pension plans are operated via the Civil Service Retirement and Disability Fund (CSRDF), a trust fund. Title 5, USC, Chapters 83 and 84, provide a complete description of the CSRDF's provisions. OPM does not administer the voluntary Thrift Savings Plan.

Health Benefits Program
The Program provides comprehensive health insurance benefits to Federal employees, annuitants, their eligible family members, and other eligible persons. The Program, implemented in 1960, is operated through two trust revolving funds: the Employees' Health Benefits Fund and the Retired Employees' Health Benefits Fund. Title 5, USC, Chapter 89 provides a complete description of the funds' provisions. To provide benefits, OPM contracts with more than 85 FEHB carriers. 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 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, GMRA, and OMB Circular A-136. 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 OMB A-136 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 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 13 associates OPM's gross cost by program to its responsibility segments.

Table 13 – Programs and 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 the Actuaries has determined that the service-cost for most or "regular" CSRS participants is 46.2 percent and 42.1 percent of basic pay for FY 2021 and FY 2020, respectively. For FERS, the service cost for most or "regular" FERS participants is 19.7 percent and 18.5 percent of basic pay for

FY 2021 and FY 2020, 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, except for USPS, are required by statute to make contributions to CSRS coverage. Regular CSRS participants and their employers each contributed 7.0 percent of pay in both FY 2021 and FY 2020. 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 2021 and FY 2020, this amount was $34.5 billion and $34.7 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 2021 and FY 2020, this amount was $11.5 billion and $11.1 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 2021 and FY 2020).

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-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-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 (except for the PSRHB Fund) is funded on a "pay-as-you-go" basis, with both participants and their employing agencies making contributions on approximately a 30 percent to 70 percent basis (some categories of enrollees are responsible for the entire premium amount (e.g., Temporary Continuation of Coverage, former spouses)). OPM contributes the "employer" share for Retirement Program annuitants via an appropriation. The program continues to provide benefits to active employees, or their survivors, after they retire (post-Retirement benefits). Except for the USPS, agencies are not required to make 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 2021 and FY 2020, of post-retirement life insurance coverage is not funded.

Revolving Fund Programs
OPM's Revolving Fund Programs provide a continuing cycle of HR services primarily to Federal agencies on a reimbursable basis. Each program is operated at rates established by OPM to be adequate to recover costs over a reasonable period. Receipts derived from operations are, by law, available in their entirety for use of the fund without further action by Congress. Since the Revolving Fund's programs charge full cost, customer-agencies do not recognize imputed costs. OPM provides receiving entities of such services with full cost information through billings based on reimbursable agreements for services rendered. Examples of OPM Revolving Fund programs include USAJOBS and Human Resource Solutions.

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

G. Financing Sources Other than Earned Revenue

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

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 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 2021, 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 more than 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, un-invested 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 unless there is a Debt Issuance Suspension Period (DISP).

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 number 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.

Debt Issuance Suspension Period (DISP).
Section 8348 of Title 5, U.S. Code, authorizes the Secretary of the Treasury to suspend additional investments of Treasury securities in the CSRDF if such additional investment could not be made without causing the public debt of the United States to exceed the public debt limit. In addition, the Secretary may sell or redeem securities, obligations, and other invested assets of the CSRDF before maturity to prevent the public debt from exceeding

the public debt limit. The Secretary may redeem such investments only during a Debt Issuance Suspension Period (DISP) and only to the extent necessary to obtain a number of payments authorized to be made from the CSRDF during such period. Further, the Postal Accountability and Enhancement Act of 2006 requires that investments of the PSRHBF be made in the same manner as investments of the CSRDF.

On August 2, 2021, The Secretary of the Treasury announced that the U.S. has reached its statutory debt limit and a DISP will begin on August 2, 2021 and continue until December 3, 2021. During this period, Treasury will take extraordinary measures, including those described above, to avoid exceeding the statutory debt limit. The U.S. Government is required to pay the CSRDF and the PSRHBF the amount of "foregone interest", those Funds would have otherwise earned had such an extraordinary measure not taken place.

K. Accounts Receivable, Net

Accounts receivables 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 accordance with Technical Bulletin 2021-1, *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, 2021, Other Assets - Non-intragovernmental for the Health Program and Life Program were $306 million and $658 million, respectively. As of September 30, 2020, 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 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.

Note 2, Fund Balance with Treasury

Status of Fund Balance with Treasury

OPM's unexpended balances are comprised of its FBWT and its investments (at par, net of original discount). The following table presents portions of OPM's temporary reductions, unexpended balances that are obligated, unobligated and precluded from obligation on September 30, 2021 and 2020. During DISP, OPM is restricted in the amounts to invest in Government securities. The amounts suspended for the CSRDF and for the PSRHBF, are recorded in FBWT instead of Investments in Government Securities.

Table 14 – Fund Balance with Treasury

September 30, 2021 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Unexpended Balances					
FBWT	$60,505	$1,666	$11	$817	$62,999
Investments	925,846	66,620	49,719		1,042,185
Total, Unexpended Balance	**$986,351**	**$68,286**	**$49,730**	**$817**	**$1,105,184**
Status of Fund Balances					
Unobligated:					
Available				614	614
Unavailable		25,242	48,570	140	73,952
Obligated not yet Disbursed	8,370	4,182	1,160	63	13,775
Temporarily Precluded from Obligation at the End of the Year (Refer to Note 10)	977,977	38,849			1,016,826
Temporary Reductions and Rounding	4	13			17
Non-Budgetary FBWT	977,981	38,862			1,016,843
Total, Status of Fund Balances	**$986,351**	**$68,286**	**$49,730**	**$817**	**$1,105,184**

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
Temporarily Precluded from Obligation at the End of the Year (Refer to Note 10)	953,999	41,868			995,867
Temporary Reductions and Rounding	3	11			14
Non-Budgetary FBWT	954,002	41,879	-	-	995,881
Total, Status of Fund Balances	**$962,104**	**$71,560**	**$48,712**	**$548**	**$1,082,924**

Note 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 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 $117 billion and $120 billion invested as of September 30, 2021 and 2020, respectively, the majority of which are market-based and have market value risk.

During DISP, OPM is restricted in the amounts to invest in Government securities. The amounts suspended for the CSRDF and for the PSRHBF, are recorded in FBWT instead of Investments in Government Securities.

As discussed in Note 1J the DISP started on August 2, 2021 and will continue until December 3, 2021.

The following table summarizes OPM's investments by Program, all trust funds, at the end of September 2021 and 2020.

Table 15 – Investments

As of September 30, 2021 ($ in millions)	Cost	Amortized Discount/ (Premium)	Interest Receivable	Investments, Net	Unamortized Discount/ (Premium)	Market Value
Intragovernmental:						
Retirement Program						
Marketable:						
FFB Securities	$6,053	-	$39	$6,092	-	$6,053
Non-Marketable: (PAR)						
Par-value GAS securities	915,931	-	5,377	921,308	-	915,931
Certificates of Indebtedness	3,862	-	12	3,874	-	3,862
Total Retirement Program	**$925,846**	**-**	**$5,428**	**$931,274**	**-**	**$925,846**
Health Benefits Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$27,867	$100	$28	$27,995	$(11)	$28,252
Non-Marketable: (PAR)						
Par-value GAS securities	38,849	-	235	39,084	-	38,849
Certificates of Indebtedness	-	-	-	-	-	-
Total Health Benefits Program	**$66,716**	**$100**	**$263**	**$67,079**	**$(11)**	**$67,101**
Life Insurance Program						
Non-Marketable: (Market-based)						
Market-Based GAS securities	$50,207	$85	$89	$50,381	$140	$51,004
Total Life Insurance Program	**$50,207**	**$85**	**$89**	**$50,381**	**$140**	**$51,004**
Total Investments	**$1,042,769**	**$185**	**$5,780**	**$1,048,734**	**$129**	**$1,043,951**

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**

Note 4, Accounts Receivable, Net

Intragovernmental

The balances comprising OPM's intragovernmental accounts receivable as of September 30, 2021 and 2020 are reported in the following table.

Table 16 – Accounts Receivable, Net - Intragovernmental

September 30, 2021 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Employer contributions receivable	$17,040	$58,214	$32	-	$75,286
Other	-	-	-	$40	40
Allowance	(14,646)	(56,975)	-	-	(71,621)
Total	**$2,394**	**$1,239**	**$32**	**$40**	**$3,705**

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**

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 $5.1 billion due in September 2021 and $4.7 billion due September 2020 according to the legislation. OPM has not received annual payments from FY 2011 through FY 2021. USPS owed to the PSRHB Fund $57 billion and $51.9 billion as of September 30, 2021 and September 30, 2020, respectively. 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 September30, 2021 total contributions owed was $14.6 billion, of which $11.4 billion was owed for FY 2014 through FY 2020. In accordance with SFFAS 1 and Technical Bulletin 2020-1 *Allowance for Intragovernmental Receivables*, OPM considers the $71.6 billion and $63.3 billion owed by USPS as an allowance of doubtful accounts in FY 2021 and FY 2020, respectively, due to USPS budget constraints. All other intragovernmental receivables are considered collectible.

From the Public
The balances comprising the accounts receivable OPM classifies as “from the public” on September 30, 2021 and 2020 are presented, in the following table. See Note 1K for the methodology used to determine the allowance.

Table 17 – Accounts Receivable, Net - From the Public

September 30, 2021 ($ in millions)	Retirement Program	Health Benefits Program	Life Insurance Program	Other	Total
Participant contributions receivable	$290	$1,271	$219	-	$1,780
Overpayment of benefits [net of allowance of $105]	290	-	-	-	290
Due from carriers [net of allowance of $0]	-	35	-	-	35
Other	-	-	-	-	
Total	**$580**	**$1,306**	**$219**	**-**	**$2,105**

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 $110]	308	-	-	-	308
Due from carriers [net of allowance of $0]	-	33	-	-	33
Other	-	-	-	-	-
Total	**$563**	**$1,210**	**$210**	**-**	**$1,983**

Included in the Receivable from the Public are criminal restitution orders. As of September 30, 2021, the Retirement Program and the Health Benefits Program had a balance of $62.3 million for 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.

Note 5, Federal Employee Benefits

A. Pensions

OPM's Office of the Actuaries, in computing the Pension Liability and associated Pension Expense, applies economic assumptions to historical cost information to estimate the Government's future cost to provide CSRS and FERS benefits to current and future retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. Actuarial gains or losses occur to the extent that actual experience differs from these assumptions used to compute the Pension Liability and associated Pension Expense.

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 table presents the significant economic assumptions used under SFFAS No. 33 to compute the Pension Liability in FY 2021 and FY 2020.

Table 18 – Federal Employee Benefits – A. Pensions (Economic Assumptions)

Economic Assumptions	FY 2021		FY 2020	
	CSRS	FERS	CSRS	FERS
Interest rate	2.4%	3.1%	2.7%	3.3%
Cost of Living Adjustment*	1.7%	1.5%	1.7%	1.5%
Rate of increases in salary	1.3%	1.3%	1.2%	1.2%

*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 table presents Pension Expense by cost component for September 30, 2021 and 2020.

Table 19 – Federal Employee Benefits – A. Pensions (Pension Expense)

FY 2021 ($ in millions)	CSRS	FERS	TOTAL
Normal cost	$1,814	$46,613	$48,427
Interest cost	28,107	33,888	61,995
Actuarial (Gain)/Loss - Experience	33,406	12,532	45,938
Actuarial (Gain)/Loss - Assumptions	34,156	42,636	76,792
Pension Expense	**$97,483**	**$135,669**	**$233,152**

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**

Pension Liability

The following table presents the Pension Liability on September 30, 2021 and 2020.

Table 20 – Federal Employee Benefits – A. Pensions (Pension Liability)

FY 2021 ($ in millions)	CSRS	FERS	TOTAL
Pension Liability on October 1, 2020	$1,074,300	$1,015,400	$2,089,700
Plus: Pension Expense	-	-	-
Normal Cost	1,814	46,613	48,427
Interest on the Liability Balance	28,107	33,888	61,995
Actuarial (Gain)/Loss:	-	-	-
From experience:	33,406	12,532	45,938
From changes in actuarial assumptions:	34,156	42,636	76,792
Net (Gain)/Loss	67,562	55,168	122,730
Total Expense:	**$97,483**	**$135,669**	**$233,152**
Less: Costs applied to Pension Liability	(68,883)	(23,369)	(92,252)
Pension Liability at September 30, 2021	**$1,102,900**	**$1,127,700**	**$2,230,600**

FY 2020 ($ in millions)	CSRS	FERS	TOTAL
Pension Liability on 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 on September 30, 2020	**$1,074,300**	**$1,015,400**	**$2,089,700**

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 2021 and 2020.

Table 21 – Federal Employee Benefits – A. Pensions (Costs Applied to the Pension Liability)

FY 2021 ($ in millions)	CSRS	FERS	TOTAL
Annuities	$68,474	$23,074	$91,548
Refunds of contributions	266	217	483
Administrative and other expenses	144	78	222
Costs applied to the Pension Liability	**$68,884**	**$23,369**	**$92,253**

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**

B. Post-Retirement Health Benefits

OPM's Office of the Actuaries, in computing the PRHB Liability and associated expense, applies economic assumptions to historical cost information to estimate the Government's future cost of providing PRHB to current employees and retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to factors such as mortality, retirements, and terminations. Actuarial gains or losses will occur to the extent that actual experience differs from the assumptions used to compute the PRHB Liability and associated expense, and due to changes to the actuarial assumptions.

Economic Assumptions

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

Table 22 – Federal Employee Benefits - B. Post-Retirement Health Benefits (Economic Assumptions)

Economic Assumptions	FY 2021	FY 2020
Interest rate(1)	3.2%	3.4%
Increase in per capita cost of covered benefits(2)	4.4%	4.4%
Ultimate medical trend rate	3.2%	3.2%

1 The single equivalent annual interest rate for FY 2021 is derived from a yield curve based on the average of the last 40 quarters through March 2021. 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.

2 The single equivalent increase in per capita cost of covered benefits for FY 2021 represents a variable trend which begins at 4.0% in FY 2021, 5.5% in FY 2022, then 4.4% through 2024, and then steadily 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 3.2%.

PRHB Expense

The following table presents the PRHB Expense by cost component for September 30, 2021 and 2020.

Table 23 – Federal Employee Benefits - B. Post-Retirement Health Benefits (PRHB Expense)

($ in millions)	FY 2021	FY 2020
Normal cost	$18,580	$17,816
Interest cost	13,829	14,077
Actuarial (Gain)/Loss - Experience	(15,999)	(16,711)
Actuarial (Gain)/Loss - Assumptions	7,045	4,363
PRHB Expense	**$23,455**	**$19,545**

PRHB Liability

The following table the PRHB Liability at the September 30, 2021 and September 30, 2020 measurement date.

Table 24 – Federal Employee Benefits - B. Post-Retirement Health Benefits (PRHB Liability)

($ in millions)	FY 2021	FY 2020
PRHB Liability at the beginning of the year	$405,454	$402,201
Plus: PRHB Expense		
Normal Cost	18,580	17,816
Interest on the Liability Balance	13,829	14,077
Actuarial (Gain)/Loss:		
From experience:	(15,999)	(16,711)
From assumption changes:	7,045	4,362
Net (Gain)/Loss	**(8,954)**	**(12,348)**
Total Expense:	**$23,455**	**$19,545**
Less: Costs applied to PRHB Liability	(15,975)	(16,292)
PRHB Liability at the end of the year	**$412,934**	**$405,454**

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 2021 and FY 2020.

Table 25 – Federal Employee Benefits - B. Post-Retirement Health Benefits (Costs Applied to PRHB Liability)

($ in millions)	FY 2021	FY 2020
Current benefits	$13,486	$12,671
Premiums	2,120	2,244
Administrative and other expenses	369	1,377
Total costs applied to the PRHB Liability	**$15,975**	**$16,292**

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 2021 and FY 2020, as shown in the table below.

Table 26 – Federal Employee Benefits - B. Post-Retirement Health Benefits (Effects of Assumptions)

($ in millions)	FY 2021		FY 2020	
	One Percent Increase	One Percent Decrease	One Percent Increase	One Percent Decrease
PRHB Liability	$477,434	$359,720	$465,952	$355,223

FY 2021			
Per Capita Normal Cost at Valuation Date		One Percent Increase	One Percent Decrease
Postal	$9,545	$12,236	$7,480
Non Postal*	$8,588	$11,108	$6,671

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

*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).

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 2021 and FY 2020. This entails the determination of a single equivalent interest rate that is specific to the ALIL. See the table below.

Table 27 – Federal Employee Benefits - C. Life Insurance (Actuarial Life Insurance Liability)

ALIL Interest Rate	FY 2021	FY 2020
Interest rate	2.9%	3.1%
Rate of increases in salary	1.3%	1.2%

Life Insurance Expense

The following table presents the Life Insurance Expense by cost component for FY 2021 and FY 2020.

Table 28 – Federal Employee Benefits - C. Life Insurance (Life Insurance Expense)

($ in millions)	FY 2021	FY 2020
New Entrant Expense	$487	$433
Interest Cost	1,745	1,767
Actuarial (Gain)/Loss – Experience	(272)	94
Actuarial (Gain)/Loss – Assumptions	1,080	1,072
Life Insurance Expense	**$3,040**	**$3,366**

Future Life Insurance Benefit Expense

The following table presents the Future Life Insurance Benefits Expense for FY 2021 and FY 2020.

Table 29 – Federal Employee Benefits - C. Life Insurance (Future Life Insurance Benefit Expense)

($ in millions)	FY 2021	FY 2020
Life Insurance Expense	$3,040	$3,366
Less: Net Costs applied to Life Insurance liability	(686)	(595)
Future Life Insurance Benefits Expense	**$2,354**	**$2,771**

Actuarial Life Insurance Liability

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

Table 30 – Federal Employee Benefits - C. Life Insurance (Actuarial Life Insurance Liability)

($ in millions)	FY 2021	FY 2020
Actuarial LI Liability at the beginning of the year	$56,386	$53,615
Plus: Expense		
New Entrant Expense	487	433
Interest on the Liability Balance	1,745	1,767
Actuarial (Gain)/Loss:		
From experience:	(272)	94
From assumption changes:	1,080	1,072
Net (Gain)/Loss:	**808**	**1,166**
Total LI Expense:	**$3,040**	**$3,366**
Less: Costs applied to Life Insurance Liability	(686)	(595)
Actuarial LI Liability at the end of the year	**$58,740**	**$56,386**

As of September 30, 2021, the total amount of FEGLI insurance in-force was estimated at $770.3 billion ($664.4 billion employees + $105.9 billion annuitants). As of September 30, 2020, the total amount of FEGLI insurance in-force was estimated at $726.7 billion ($621.8 billion employees + $104.9 billion annuitants).

Note 6, Intragovernmental and Other Liabilities

As shown in the table below, the liabilities are classified as “Intragovernmental” on the Balance Sheet as of September 30, 2021 and 2020.

Table 31 – Intragovernmental Liabilities

September 30, 2021 ($ in millions)	Accounts Payable	Other	Total
Retirement	$40	-	$40
Health Benefits	337	-	337
Life Insurance	13	-	13
Revolving Fund	-	131	131
Salaries and Expenses	2	-	2
Eliminations	(134)	-	(134)
Total Intragovernmental Liabilities	**$258**	**$131**	**$389**

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**

Health Benefits Program

In prior years, OPM was a party to litigation in which certain Health Benefits Program carriers were seeking relief for alleged underpayment of premiums. As a result of one adverse court decision, the Department of Justice, which represented OPM in the litigation, settled most of the remaining cases (one other case was tried and lost). Judgments/settlements in those cases were paid from the Treasury Judgment Fund (TJF). However, because any underpayments that may have occurred resulted from inaccuracies in the number of contributions by or on behalf of employee-participants that were remitted to OPM by the employing agencies (which remittances came from the respective agencies’ appropriations), OPM has neither the legal responsibility nor the legal authority to reimburse the TJF. The 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, 2021, and $259 million as of September 30, 2020 in Intragovernmental and other Liabilities.

As shown in the table below, the liabilities, all current and "with the public," are classified as "other" on the Balance Sheet as of September 30, 2021 and 2020.

Table 32 – Other Liabilities

September 30, 2021 ($ in millions)	Withheld from Benefits	Accrued Carrier Liabilities Other Than Benefits	Accrued Administrative Expense	Contingencies	Total
Retirement Program	$1,180	-	-	$96	$1,276
Health Benefits Program	-	237	-	-	237
Life Insurance Program	-	38	-	-	38
Revolving Fund Program	-	-	12	-	12
Salaries and Expenses	-	-	32	-	32
Total Other Liabilities	**$1,180**	**$275**	**$44**	**$96**	**$1,595**

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**

Note 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. In many cases, tort claims are administered and resolved by the U.S. Department of Justice, and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB’s Interpretation No. 2, Accounting for Treasury Judgment Fund Transactions, costs incurred by the Federal Government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, as of September 30, 2021, and 2020, OPM’s contingent liabilities included $148 million and $58 million Upper End Estimated Range of Loss, respectively, for tort claims contingencies that will require funding exclusively through the Judgment Fund.

No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable. Additionally, as of September 30, 2021 and 2020, there are cases and claims not brought under the Federal Tort Claims Act, where there is at least a reasonable possibility that a loss may occur, for which the potential range of loss cannot be determined.

The amounts as of September 30, 2021 and 2020 are presented in the table below.

Table 33 – Commitments and Contingencies

September 30	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2021 Legal Contingencies:			
Probable	$96	$96	$602
Reasonably Possible		76	158
FY 2020 Legal Contingencies:			
Probable	$96	$96	$602
Reasonably Possible		16	98

Note 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, 2021 and 2020.

Table 34 – Intragovernmental Gross Costs and Earned Revenue

September 30, 2021	Gross Costs			Earned Revenue		
($ in millions)	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total
CSRS Benefits	$1,858	$63,327	$65,185	$6,379	$362	$6,741
FERS Benefits	1,401	93,033	94,434	61,931	4,900	66,831
Health Benefits	5,110	60,316	65,426	29,533	17,875	47,408
Life Insurance Benefits	-	5,237	5,237	1,494	3,195	4,689
Human Resources Services	546	551	1,097	1,015	-	1,015
Eliminations	(372)	-	(372)	(372)	-	(372)
Total	**$8,543**	**$222,464**	**$231,007**	**$99,980**	**$26,332**	**$126,312**

September 30, 2020	Gross Costs			Earned Revenue		
($ in millions)	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**

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.

Note 9, Net Cost by Strategic Goals

OPM's Strategic Plan is for the period FY 2018 – 2022. This plan was released in February 2018 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 table below. Additional mission activities and mission support activities not directly aligned to a strategic goal are reported separately as "Additional Mission and Mission Support Activities."

Table 35 – Net Cost by Strategic Goals

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 2021 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	$8	$12	$6	$1	$9	**$36**
	Less earned revenue	-	-	-	-	8	**8**
	Net program cost	8	12	6	1	1	**28**
Goal 2	Total program cost	-	-	-	-	41	**41**
	Less earned revenue					36	**36**
	Net program cost	-	-	-	-	5	**5**
Goal 3	Total program cost	-	-	-	-	9	**9**
	Less earned revenue	-	-	-	-	8	**8**
	Net program cost	-	-	-	-	1	**1**
Goal 4	Total program cost	42	60	14	2	26	**144**
	Less earned revenue	-	-	-	-	23	**23**
	Net program cost	42	60	14	2	3	**121**
Additional Mission and Mission Support Activities	Total program cost	65,135	94,362	65,406	5,234	640	**230,777**
	Less earned revenue	6,741	66,831	47,408	4,689	568	**126,237**
	Actuarial (Gain)/Loss	34,156	42,636	7,045	1,080	-	**84,917**
	Net program cost	92,550	70,167	25,043	1,625	72	**189,457**
Totals	**Total program cost**	**$65,185**	**$94,434**	**$65,426**	**$5,237**	**$725**	**$231,007**
	Less earned revenue	**6,741**	**66,831**	**47,408**	**4,689**	**643**	**126,312**
	Actuarial (Gain)/Loss	**34,156**	**42,636**	**7,045**	**1,080**	**-**	**84,917**
	Net program cost	**$92,600**	**$70,239**	**$25,063**	**$1,628**	**$82**	**$189,612**

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**

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.

Note 10, Availability of Unobligated Balances

Retirement Program

Historically, OPM's trust fund receipts have exceeded the amount needed to cover the Retirement Program's obligations. The excess of trust fund receipts over incurred obligations is classified as being temporarily precluded from obligation. These receipts, however, remain assets of the CSRDF and will become immediately available, if circumstances dictate, to meet obligations to be incurred in the future.

The following table presents the unobligated balance of the CSRDF that is included in the Retirement Program that is temporarily precluded from obligation as of September 30, 2021 and 2020 (rounding may appear):

Table 36 – Availability of Unobligated Balances – Retirement Program

As of September 30 ($ in millions)	2021	2020
Temporarily precluded from obligation at the beginning of the year	$953,999	$931,780
Plus: Trust fund receipts during the year	116,593	113,533
Plus: Appropriations Received	45,975	45,837
Less: Obligations Incurred during the year	138,590	137,151
Excess of trust fund receipts over obligations incurred during the year	23,978	22,219
Temporarily Precluded from Obligation at the End of the Year	**$977,977**	**$953,999**

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 2021 and 2020 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, 2021 and 2020.

Table 37 – Availability of Unobligated Balances – Health Benefits and Life Insurance Programs

As of September 30 ($ in millions)	2021	2020
Temporarily precluded from obligation at the beginning of the year	$41,868	$44,611
Plus: Special Fund receipts during the year	1,021	1,151
Less: Obligations Incurred during the year	4,040	3,894
Excess of Special Fund receipts over obligations incurred during the year	(3,019)	(2,743)
Temporarily Precluded from Obligation at the End of the Year	**$38,849**	**$41,868**

Revolving Fund Programs

OPM's Revolving Fund Programs are administered through an intragovernmental revolving fund. An intragovernmental revolving fund is designed to carry-out a cycle of business-type operations with other Federal agencies or separately funded components of the same agency. The unobligated balance in OPM's intragovernmental revolving fund is available for obligation and expenditure, upon apportionment by OMB, without further action by Congress.

Salary and Expenses
OPM funds its administrative costs through annual, multiple-year, and "no-year" appropriations. For its annual appropriations, the unobligated balance expires at the end of the applicable fiscal year. For OPM's multiple-year appropriations, the unobligated balance remains available for obligation and expenditure for a specified period in excess of a fiscal year. For its no-year appropriations, the unobligated balance is carried forward and is available for obligation and expenditure indefinitely until the objectives for which it was intended have been accomplished.

Note 11, Apportionment Categories of Incurred Obligations

An apportionment is a distribution by OMB of amounts available for obligation. 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 table details the direct and reimbursable obligations that have been incurred against each apportionment category as of September 30, during FY 2021 and 2020:

Table 38 – Apportionment Categories of Incurred Obligations

As of September 30, 2021 Program/Fund ($ in millions)	Category	Direct	Reimbursable	Total
Retirement Program	B	$92,615	-	$92,615
Retirement Program	E	45,975	-	45,975
Subtotal		**$138,590**	**-**	**$138,590**
Health Benefits Program	B	63,965	-	63,965
Health Benefits Program	E	13,595	-	13,595
Life Insurance Program	B	3,964	-	3,964
Life Insurance Program	E	41	-	41
Revolving Fund Program	B	-	577	577
Salaries and Expenses	A&B	767	102	869
Total		**$220,922**	**$679**	**$221,601**

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**

Note 12, Comparison of Combined Statements of Budgetary Resources to the President's Budget

OPM reports information about budgetary resources in the Combined Statements of Budgetary Resources (SBR) and for presentation in the "President's Budget." The President's Budget for FY 2023, which will contain the actual budgetary resources information for FY 2021, will be published in February 2022 and will be available on the OMB website. The President's Budget for FY 2022, which contains actual budgetary resource information for FY 2020, was released on May 28, 2021. See the table below for comparison of Combined Statements of Budgetary Resources to the President's Budget.

Table 39 – Comparison of Combined Statements of Budgetary Resources to the President's Budget

September 30, 2020 (in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$289,250	$214,336	$47,030	$105,623
Expired Funds	(62)	(1)	-	-
Distributed Offsetting Receipts	-	-	$(47,030)	47,030
Reconciling Differences/Rounding	(2)	-	-	4
Budget of the U.S. Government	$289,186	$214,335	-	$152,657

Note 13, Undelivered Orders End of Period

Federal and Non-Federal Undelivered orders represent goods and services ordered and obligated which have not been received. This includes any orders for which we have paid in advance, but for which delivery or performance has not yet occurred. Prior to FY 2021, due to system limitations and constraints the vendor identification code could not be connected to the general ledger balances. The data provided for the Revolving Fund and Salaries & Expenses for FY 2020 represents OPM's best estimates. In FY 2021, OPM migrated its financial system to a federal shared service provider. Undelivered orders as of September 30, 2021 and 2020, are presented in the table below.

Table 40 – Undelivered Orders End of Period

Undelivered Orders (in millions)	Revolving Fund			Salaries & Expenses		
FY 2021	**Federal**	**Non-Fed**	**Total**	**Federal**	**Non-Fed**	**Total**
Unpaid	$60	$167	$227	$55	$97	$152
Paid	-	-	-	-	-	-
Total	**$60**	**$167**	**$227**	**$55**	**$97**	**$152**

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**

Note 14, Reconciliation of Net Cost to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. As required by SFFAS No. 7, as amended by SFFAS 53, OPM has reconciled the net cost of operations, reported in the Statement of Net Costs, to the net outlays, reported on the Statement of Budgetary Resources.

The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays. Per A-136, the key differences fall into three categories. (1) Components of net cost that are not part of net outlays, (2) Component of net outlays that are not part of net outlays, and (3) Other Temporary Timing Difference section. OPM did not have any activity to report in the third category in FY 2021 and FY 2020, therefore, not disclosed.

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, 2021
(In Millions)

As of September 30, 2021	Intra-governmental	With The Public	Total FY 2021
NET OPERATING COST	($91,439)	$281,051	$189,612
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation			
Increase/(Decrease) in Assets:			
Accounts Receivable	483	142	625
Investments	(502)	-	(502)
Other:			
Appropriated Trust Fund Receipts	112,009	5,606	117,615
Other Assets	-	44	44
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	116	(75)	41
Salaries and Benefits	1	(383)	(382)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial Liabilities)	(3)	(151,701)	(151,704)
Other Financing Sources:			
Imputed Financing Sources	(20)	-	(20)
Financing Sources Trans out without Reimb	309	-	309
Total Components of Net Operating Cost Not Part of the Budget Outlays	112,393	(146,367)	(33,974)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Distributed Offsetting Receipts	(46,996)	(38)	(47,034)
Total Components of the Budgetary Outlays That are Not Part Net Operating Cost	(46,996)	(38)	(47,034)
NET OUTLAYS	($26,042)	$134,646	$108,604

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	

Note 15, Health Benefits / Life Insurance Program Concentrations

During FY 2021 and FY 2020, over three-fourths of the Health Benefits Program's benefits were administered by the Blue Cross and Blue Shield Association, a fee-for-service carrier that provides experience-rated benefits.

For the Life Insurance Program, nearly all the benefits were administered by the Metropolitan Life Insurance Company in each of the fiscal years.

Note 16, COVID-19 Activity

In March 2020, OPM received a supplemental appropriation of $12 million from the (CARES Act | PL 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.

The American Rescue Plan Act of 2021 (PL 117-2) was enacted on March 11, 2021. Section 4001 of the Act established a new category of paid leave for certain categories of Federal employees based on certain COVID-19-related qualifying circumstances. This paid leave is hereafter referred to as "emergency paid leave" or "EPL." This emergency paid leave is to be funded by a $570 million Emergency Federal Employee Leave Fund (hereafter referred to as the "Fund") administered by the Director of the Office of Personnel Management. From the total $570 million appropriated, $300 million were disbursed during FY 2021. The remaining balance on the FBWT is $270 million as of September 30, 2021.

Under section 4001(c)(1), emergency paid leave may be used by a covered employee only during the "qualifying period," which begins on the date of enactment of the Act (March 11, 2021) and ends on September 30, 2021. Each agency with covered employees using emergency paid leave must submit to OPM a request for reimbursement from the Fund.

The $570 million Fund is available to make leave payments to covered employees in qualifying circumstances for leave used during the qualifying period from March 11, 2021, through September 30, 2021. The Fund is also available for reasonable expenses incurred by the Office of Personnel Management in administering the section 4001 authority. The Fund remains available through September 30, 2022 (to make reimbursements to agencies for payments for leave used during the qualifying period) unless the Fund is exhausted prior to that date. If the Fund is exhausted, payments of paid leave under this authority will cease. See the table below for information on OPM's activity on the CARES Act and Emergency Federal Employee Leave Fund for FY 2021 & FY 2022.

Table 41 – COVID-19 Activity
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, 2021 (in millions)	Total
Unobligated Balance Brought Forward	$1.2
Obligations Incurred:	
New Obligations Undelivered	.5
New Obligations Delivered Unpaid and Paid	
Unobligated Balance	.7
Previously Obligated Balances	10.9
Status of Budgetary Resources	$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

Emergency Federal Employee Leave Fund for FY 2021 & FY 2022

September 30, 2021 (in millions)	Total
Budgetary Resources Received	$570
Obligations Incurred:	
Reimbursements Paid to Agencies	305
Other Obligations Delivered Unpaid and Paid	-
Unobligated Balance	265
Status of Budgetary Resources	$570

Note 17, Reclassification of Statement of Net Cost and Statement of Changes in Net Position for FR Compilation

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appears in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the Office of Personnel Management financial statements and the Office of Personnel Management reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2020 FR can be found here: **2020 Financial Report (FR)** and a copy of the 2021 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government. The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

As of September 30, 2021 Office of Personnel Management Statement of Net Cost		Line Items Used to Prepare FY 2021 Government-wide SNC	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
		$222,464	***Non-Federal Costs***
Pension Expense	156,360		
Postretirement Health Benefits	16,410		
Future Life Insurance Benefits	1,274		
Current Benefits and Premiums	44,300		
Other	4,120		
Total Gross Costs with the Public	**$222,464**	**$222,464**	**Non-Federal Gross Cost**
			Intragovernmental Costs
		1	Benefit Program Costs
		20	Imputed Costs
		8,522	Buy/Sell Costs
			Other Expenses (w/o Reciprocals)
Intragovernmental	**$8,543**	***$8,543***	***Total Intragovernmental Costs***
Total Gross Costs	**$231,007**	***$231,007***	*Total Reclassified Gross Costs*
Total Earned Revenue with the Public	$26,332	26,332	Non-Federal Earned Revenue
			Intragovernmental Revenue
Other	$792	$792	Buy/Sell Revenue
Employer Contributions	74,034	74,034	Benefit Program Revenue
Earnings on investments	25,154	25,154	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
Total Intragovernmental Earned Revenue	**$99,980**	***$99,980***	*Total Intragovernmental Earned Revenue*
Total Earned Revenue	126,312	126,312	***Total Reclassified Earned Revenue***
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	84,917	84,917	Gain/Loss on Changes in Actuarial Assumptions (Non-Federal)
Net Cost of Operations	**$189,612**	**$189,612**	**Net Cost of Operations**

As of September 30, 2021 Office of Personnel Management Statement of Changes in Net Position		Line Items Used to Prepare FY 2021 Government-wide SCNP	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
Unexpended Appropriations			
Unexpended Appropriations, Beginning Balance	$64	$64	Net Position, Beginning of Period
Appropriations Received	60,582	60,347	Appropriations Received as Adjusted
Other Adjustments	(235)		
Appropriations Used	(60,021)	(60,021)	Appropriations Used (Federal)
Total Budgetary Financing Sources	326	326	
Total Unexpended Appropriations - Ending Balance	**$390**	**$390**	
Cumulative Results Of Operations			
Cumulative Results, Beginning Balance	$(1,469,838)	$(1,469,838)	Net Position, Beginning of Period
Changes in Accounting Principles			Changes in Accounting Principles
Beginning Balances, As Adjusted	$(1,469,838)	$(1,469,838)	
Budgetary Financing Sources			
Appropriations Used	60,021	60,021	Appropriations Used (Federal)
Transfers-In/Out Without Reimbursement	(365)	(58)	Non-Expenditure Transfers - Out of Unexpended Appropriations and Financing Sources
		(2)	Transfers Out without Reimbursement
		(308)	Expenditure Transfers In/Out without Reimbursement
		20	Imputed Financing Sources (Federal)
Other Financing Sources	$10	(7)	Non-Entity Collections Transferred To the General Fund
Total Financing Sources	**$59,666**	**$59,666**	
Net Cost of Operations	189,612	189,612	
Net Change	(129,946)	(129,946)	
Cumulative Results of Operations - Ending	$(1,599,784)	$(1,599,784)	Net Position - Ending Balance

Consolidating Financial Statements

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING BALANCE SHEET
As of September 30, 2021
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2021
ASSETS							
Intragovernmental:							
Fund Balance with Treasury [Note 2]	$60,505	$1,666	$11	$425	$392		$62,999
Investments [Note 3]	931,274	67,079	50,381				1,048,734
Accounts Receivable, Net [Note 4]	2,394	1,239	32	30	144	($134)	3,705
Total Intragovernmental	994,173	69,984	50,424	455	536	(134)	1,115,438
Other than intragovernmental/With the public:							
Accounts Receivable from the Public, Net [Note 4]	580	1,306	219				2,105
General Property and Equipment, Net				5			5
Other [Note 1L]		306	658				964
Total other than intragovernmental/with the public	580	1,612	877	5	-	-	3,074
TOTAL ASSETS	$994,753	$71,596	$51,301	$460	$536	($134)	$1,118,512
LIABILITIES							
Intragovernmental [Note 6]							
Accounts Payable	$40	$ 337	$13	$5	$2	(134)	$263
Advances from Others and Deferred Revenues				$126			$126
Total Intragovernmental	$40	$337	$13	$131	$2	($134)	$389
Other than intragovernmental/With the public:							
Accounts payable				71	20		91
Advances from others and deferred revenue		35					35
Federal Employee Benefits Payable [Notes 5A, 5B and 5C]	2,237,756	418,070	59,969				2,715,795
Other [Note 6]	1,276	237	38	12	32	-	1,595
Total Other than intragovernmental/With the public	2,239,032	418,342	60,007	83	52	0	2,717,516
TOTAL LIABILITIES	2,239,072	418,679	60,020	214	54	(134)	2,717,905
Commitments and Contingencies [Note 7]							
NET POSITION							
Unexpended Appropriations-Funds from Other than Dedicated Collections					390		390
Cumulative Results of Operations-Funds from other than Dedicated Collections	(1,244,319)	(347,083)	(8,719)	246	92		(1,599,783)
TOTAL NET POSITION	(1,244,319)	(347,083)	(8,719)	246	482	-	(1,599,393)
TOTAL LIABILITIES AND NET POSITION	$994,753	$71,596	$51,301	$460	$536	($134)	$1,118,512

The accompanying notes are an integral part of the 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
Other than intragovernmental/With the public:							
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 other than intragovernmental/with the public	563	1,474	867	5	-	-	2,909
TOTAL ASSETS	$970,451	$74,662	$50,373	$521	$213	($130)	$1,096,090
LIABILITIES							
Intragovernmental: [Note 6]							
Accounts Payable	$40	$334	$12	$11	$3	($130)	$270
Advances from Others and Deferred Revenues				$237			$237
Total Intragovernmental	$40	$334	$12	$248	$3	($130)	$507
Other than intragovernmental/With the public:							
Accounts payable				6			$6
Advances from others and deferred revenue		49		-	-		$49
Federal Employee Benefits Payable [Notes 5A, 5B and 5C]	2,096,705	409,781	57,444	-	-		$2,563,930
Other [Note 6]	1,158	113	51	12	39		$1,373
Total Other than intragovernmental/With the public	2,097,863	409,943	57,495	18	39	0	$2,565,358
TOTAL LIABILITIES	2,097,903	410,277	57,507	266	42	(130)	2,565,865
Commitments and Contingencies [Note 7]							
NET POSITION							
Unexpended Appropriations-Funds from Other than Dedicated Collections		-	-		64		64
Cumulative Results of Operations-Funds from other than Dedicated Collections	(1,127,452)	(335,615)	(7,134)	255	107		(1,469,839)
TOTAL NET POSITION	(1,127,452)	(335,615)	(7,134)	255	171	-	(1,469,775)
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 STATEMENT OF NET COST
For the Year Ended September 30, 2021
(In Millions)

	Retirement Program			Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2021
	CSRS	FERS	Total						
GROSS COSTS									
Intragovernmental	$1,858	$1,401	$3,259	$5,110	-	$123	$423	($372)	$8,543
With the Public:									
Pension Expense [Note 5A]	63,327	93,033	156,360						156,360
Postretirement Health Benefits [Note 5B]				16,410					16,410
Future Life Insurance Benefits [Note 5C]					$1,274				1,274
Current Benefits and Premiums				40,359	3,941				44,300
Other				3,547	22	417	134		4,120
Total Gross Costs with the Public	63,327	93,033	156,360	60,316	5,237	417	134	-	222,464
Total Gross Costs	65,185	94,434	159,619	65,426	5,237	540	557	(372)	231,007
EARNED REVENUE									
Intragovernmental:									
Employer Contributions	2,699	42,708	45,407	28,105	586			(64)	74,034
Earnings on Investments	3,669	19,166	22,835	1,411	908				25,154
Collections Transferred In				15					15
Other	11	57	68	2		586	429	(308)	777
Total Intragovernmental Earned Revenue	6,379	61,931	68,310	29,533	1,494	586	429	(372)	99,980
With the Public:									
Participant Contributions	362	4,900	5,262	17,865	3,194				26,321
Other				10	1				11
Total Earned Revenue with the Public	362	4,900	5,262	17,875	3,195	-	-	-	26,332
Total Earned Revenue [Notes 8 and 9]	6,741	66,831	73,572	47,408	4,689	586	429	(372)	126,312
Net Cost	58,444	27,603	86,047	18,018	548	(46)	128	-	104,695
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Notes 5A, 5B, and 5C]	34,156	42,636	76,792	7,045	1,080	-	-	-	84,917
Net Cost of Operations	$92,600	$70,239	$162,839	$25,063	$1,628	($46)	$128	-	$189,612

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 CSRS	FERS	Total	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	Eliminations	FY 2020
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	-	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	-	-	-	9	1	-	6		16
Total Earned Revenue with the Public	443	4,416	4,859	17,238	3,139	-	6	-	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 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 CHANGES IN NET POSITION

For the Year Ended September 30, 2021

(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Revolving Fund Programs	Salaries and Expenses	FY 2021
UNEXPENDED APPROPRIATIONS						
Beginning Balance	-	-	-	$0	$64	$64
Budgetary Financing Sources:						
Appropriations Received	45,975	$13,830	$42		735	60,582
Other Adjustments		(235)	(1)		1	(235)
Appropriations Used	(45,975)	(13,595)	(41)		(410)	(60,021)
Total Budgetary Financing Sources	-	-	-	-	326	326
Total Unexpended Appropriations - Ending Balance	-	-	-	-	390	390
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	($1,127,452)	($335,615)	($7,133)	$255	$107	($1,469,838)
Budgetary Financing Sources:						
Appropriations Used	45,975	13,595	41		410	60,021
Transfer-In/Out Without Reimbursement	-			(58)	(307)	(365)
Other Financing Sources	(3)			3	10	10
Total Financing Sources	45,972	13,595	41	(55)	113	59,666
Net Cost of Operations	162,839	25,063	1,628	(46)	128	189,612
Net Change	(116,867)	(11,468)	(1,587)	(9)	(15)	(129,946)
Cumulative Results of Operations - Ending Balance	($1,244,319)	($347,083)	($8,720)	$246	$92	($1,599,784)
NET POSITION	($1,244,319)	($347,083)	($8,720)	$246	$482	($1,599,394)

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	$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.

Required Supplementary Information

Required Supplementary Information

U.S. OFFICE OF PERSONNEL MANAGEMENT
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2021
(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 2021
BUDGETARY RESOURCES									
Unobligated Balance from Prior Year Budget Authority, Net	-	-	$26,340	-	$47,753	-	$799	$119	$75,011
Appropriations	$92,615	$45,975	4,040	$13,595	-	$41		735	157,001
Spending Authority from Offsetting Collections			58,827		4,781		158	388	64,154
Total Budgetary Resources	$92,615	$45,975	$89,207	$13,595	$52,534	$41	$957	$1,242	$296,166
STATUS OF BUDGETARY RESOURCES									
New Obligations and Upward Adjustments [Note 11]	$92,615	45,975	$63,965	$13,595	$3,964	$41	$577	$869	$221,601
Unobligated Balance, End of Year:									
Apportioned, Unexpired Accounts							316	297	613
Exempt from Apportionment, Unexpired Accounts									-
Unapportioned, Unexpired Accounts			25,242		48,570		64	4	73,880
Expired, Unobligated Balance, End of Year								72	72
Total Unobligated Balance, End of Year	-	-	25,242	-	48,570	-	380	373	74,565
Total Budgetary Resources	$92,615	$45,975	$89,207	$13,595	$52,534	$41	$957	$1,242	$296,166
	0	0	0						
OUTLAYS, NET									
Outlays, Net	$92,347	$45,975	$4,368	$13,523	($1,018)	$41	$0	$405	$155,641
Less: Distributed Offsetting Receipts	46,016	-	1,021	-	-	-			47,037
Agency Outlays, Net	$46,331	$45,975	$3,347	$13,523	($1,018)	$41	$0	$405	$108,604

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, 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
Exempt from Apportionment, Unexpired Accounts									-
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.

Section 3

Other Information

OIG Top Management Challenges for FY 2022 Report

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the Inspector General

October 13, 2021

MEMORANDUM FOR KIRAN A. AHUJA
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: 2021.10.13 15:45:12 -04'00'

SUBJECT: Final Report on the U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2022

The Reports Consolidation Act of 2000 requires the Inspector General to identify and report annually the top management challenges facing the agency. In addition, the U.S. Office of Personnel Management (OPM) annually documents its performance and accountability measures by preparing the Agency Financial Report (AFR). Attached is our final report on OPM's Top Management Challenges for Fiscal Year 2022, which will be included in OPM's AFR. Under section 8M of the Inspector General Act, as amended, the Office of the Inspector General makes redacted versions of its final reports available to the public on its webpage.

We submitted a draft report to OPM on August 19, 2021, which identified four overarching categories of challenges facing OPM - the continuing shortfall in OPM's funding, which relates to budgetary issues impacting OPM; the financial integrity of OPM's trust funds, which impacts OPM's Federal Employees Health Benefits, Life Insurance and Retirement Programs; information technology; and OPM challenges which are Government-wide. 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

www.opm.gov www.usajobs.gov

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

Please contact me, at 606-3811, if you have any questions regarding this final report, or your staff may wish to contact Michael R. Esser, Assistant Inspector General for Audits, at 606-2143, or Drew M. Grimm, Assistant Inspector General for Investigations, at 606-4730.

Attachment

cc: Anne Harkavy
Chief of Staff

Dennis D. Coleman
Chief Management Officer

Lynn D. Eisenberg
General Counsel

Margaret P. Pearson
Acting Chief Financial Officer

Guy V. Cavallo
Chief Information Officer

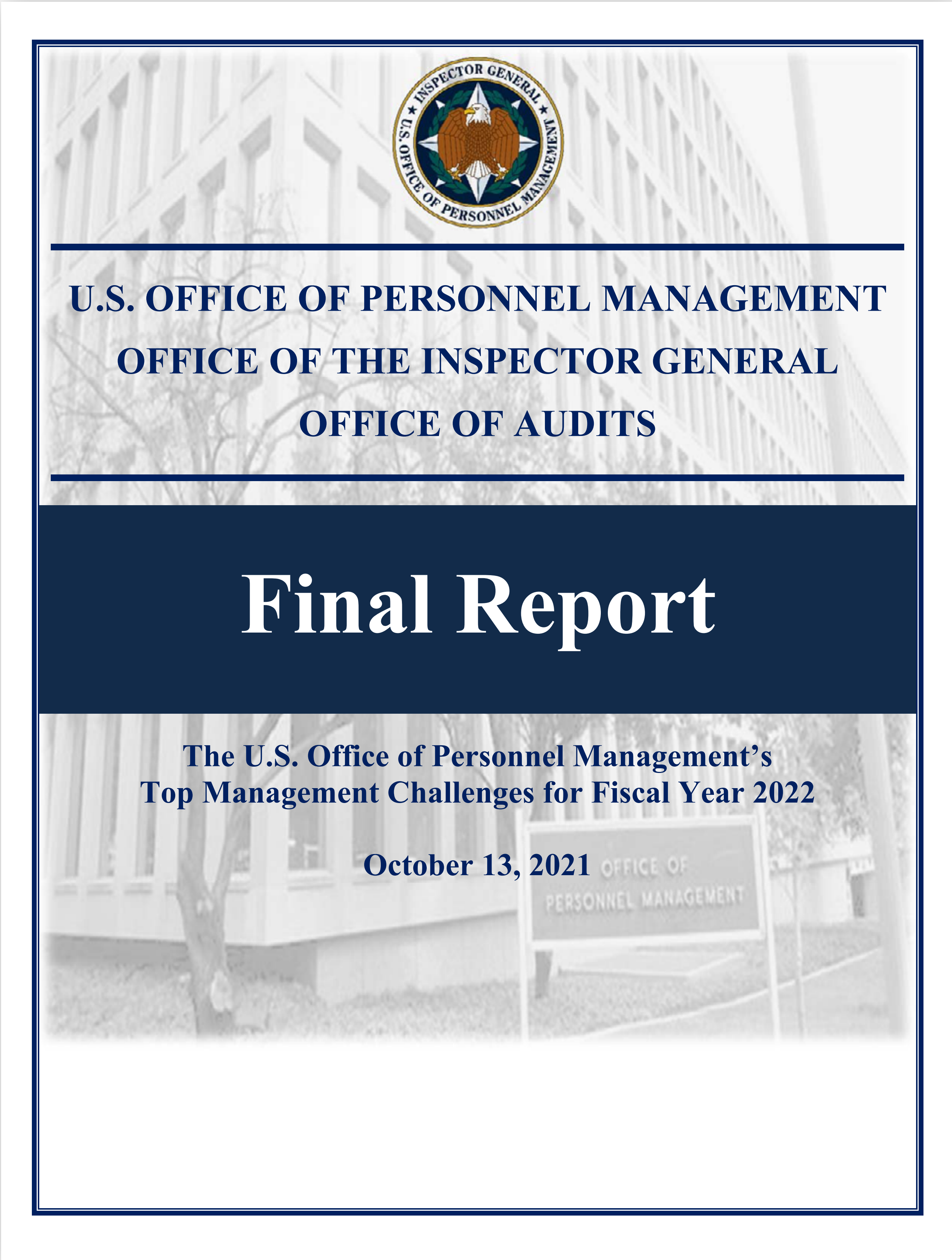
Laurie E. Bodenheimer
Associate Director, Healthcare and Insurance

Nicholas Ashenden
Acting Associate Director, Retirement Services

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

Janet L. Barnes
Director, Internal Oversight and Compliance

Katherine M. Hax
Chief, Risk Management and Internal Control



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

Final Report

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

October 13, 2021

EXECUTIVE SUMMARY

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

October 13, 2021

The Purpose of This Report

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

What Did We Consider?

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

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: 2021.10.13 15:29:37 -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:

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

Some of these challenges are due to external factors including, but not limited to, a transfer of functions from OPM, shifting demographics, an aging Federal population, higher utilization of prescription drugs, and a shortfall in OPM's funding. In addition, some of these challenges involve core functions of OPM that are affected by constantly changing ways of doing business or new ideas, while in other cases they are global challenges every agency must face.

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ABBREVIATIONS

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

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Challenge 1

CONTINUING SHORTFALL IN OPM'S FUNDING

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

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

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

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

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

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

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Challenge 2

FINANCIAL INTEGRITY OF OPM'S TRUST FUNDS

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

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

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

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

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

Federal Employees Health Benefits Program

OPM, as the administrator of the FEHBP, is responsible for negotiating contracts with health insurance carriers covering the benefits provided and premium rates charged to over eight million Federal employees, retirees, and their eligible family members. As discussed in previous years, the ever-increasing cost of health care, and especially the cost of prescription drugs, is a national challenge, affecting not only OPM. It is an ongoing challenge for OPM to keep these premium rate increases in check while not impacting the level of benefits offered. There are several initiatives that OPM is adopting to meet the challenge of providing quality health care for enrollees, while controlling costs. Examples include enhancements to price and quality transparency, as well as addressing surprise billing and low-value care. However, as addressed throughout this report, OPM's budget situation significantly impacts its ability to complete research and implement changes and improvements.

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Prescription Drug Benefits and Costs

Prescription drug costs continue to increase in the FEHBP, currently representing approximately 30.5 percent of total health care spending. Most FEHBP carriers report an increase in drug costs per member each year. Greater utilization of existing drugs and the high cost of specialty medications contribute significantly to FEHBP premiums. The average age of the FEHBP members is climbing and prescription drug utilization and costs will continue to increase as a result. Contributing to the rising costs are new pharmaceutical advancements and the exponential growth of specialty drugs. An effective, long-term strategy to mitigate and manage FEHBP prescription drug costs, while maintaining overall program value and effectiveness, should be a high-priority area for OPM.

Since the inception of the FEHBP in 1960, pharmacy benefits have been provided via participating FEHBP carriers by administering pharmacy benefits internally, or more often, by carriers contracting with a pharmacy benefits manager on behalf of their enrolled population. This means that OPM is not involved in negotiating drug discounts, rebates, administrative fees, or other financial terms with pharmacy benefits managers; the FEHBP carriers are responsible for negotiating these contracts on behalf of the Federal Government. Due to this minimal involvement, the negotiated fees (which are ultimately borne by the FEHBP) may not provide the best value to FEHBP members and the American taxpayer.

The Office of the Inspector General (OIG) issued a Federal Employees Health Benefits Program Prescription Drug Benefit Costs Management Advisory Report[2] about this very topic. The Management Advisory Report identified variances among several of the FEHBP fee-for-service carriers with respect to contractual arrangements with pharmacy benefits managers. We found that the discounts and other financial terms differed significantly among carriers, with those that have higher enrollments receiving the best deals, reducing the likelihood that the FEHBP is maximizing prescription drug savings in a $58 billion annual program. Since a study has not been completed in over a decade, the report recommends that OPM conduct a new, comprehensive study by seeking independent expert consultation on ways to lower prescription drug costs in the FEHBP. While the agency supports the idea of a prescription drug study, thus far it remains an unfunded priority.

Federal Employees Health Benefits Program Enrollment and Eligibility

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

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

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that can expose the program to fraud, waste, and abuse. Identifying ineligible dependents is often difficult. Fraud, waste, and abuse involving ineligible dependents can occur over years before being discovered. In addition, the scope of the problem is unknown. OPM currently is unable to identify or estimate how many ineligible dependents receive benefits from the FEHBP or the total cost to the program from those improper payments.

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

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

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

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

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

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

Health Benefit Carriers' Fraud and Abuse Programs

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

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

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

OPM delegates the antifraud and program integrity function to the FEHBP health insurance carriers, which is further delegated to a multilayered environment of contractors and subcontractors, such as pharmacy benefit managers. This can create a difficult, somewhat patchwork collection of efforts to prevent fraud, waste, abuse, or patient harm. For example, a recent audit[3] published findings related to opioid prescriptions where a contracted pharmacy benefit manager failed to follow the policies of an FEHBP health insurance plan. These types of oversight and program integrity complications can allow for improper payments or patient harm throughout the program.

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

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

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Stopping the Flow of Improper Payments

The Federal Employees Health Benefits Program

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

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

The OPM OIG Office of Audits released an April 2020 audit report[4] on the methodologies OPM uses to calculate its improper payment rates for both the Retirement Services and Healthcare and Insurance program offices. OPM partially concurred with the recommendations and stated that the Healthcare and Insurance program office would continue to review its methodology, including exploring multiple options to update the calculation. The review of options and potential improvements is expected to continue through FY 2022. The outcome is predicated on sufficient resource availability, and they cannot guarantee that the improper payment rate methodology will change after the review. The OIG stresses that continuing with the current improper payment rate calculation will continue to provide what we believe to be an inaccurate accounting of improper payments. Continued efforts to develop a more accurate measure of improper payments will help the agency respond to issues spread across the FEHBP.

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

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

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

Federal employees, retirees, and their eligible dependents rely on the FEHBP to provide access to quality health coverage with affordable premiums. OPM must continue its efforts to better protect taxpayer dollars from being lost to improper payments and ensure beneficiaries are not harmed in health care matters or financially by fraud, waste, or abuse.

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

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

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

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

OPM's intent to modernize its IT infrastructure, move away from, or mitigate its legacy IT systems, and otherwise attempt to bring its retirement processing operations into the 21st century is well known. While that years-long process is ongoing, hundreds of millions of dollars in improper payments will continue to occur due to fraud, waste, or abuse.

Most improper payments that harm OPM retirement programs happen over many years. Stronger root cause analysis could help Retirement Services quickly identify signs of potential improper payments that warrant a review. While preventing improper payments from occurring will always be a goal—in part with the modernizing of retirement program IT infrastructure—a more robust program integrity program within the current system is still needed.

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

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

Risks to the FEHBP from the Opioid Crisis

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

Opioid prescriptions present a risky pathway towards abuse when improperly used or prescribed without following medical best practice. OPM has worked with the FEHBP health insurance carriers to promote safer opioid prescribing and usage and must continue to do so.

A recent audit[5] of an FEHBP carrier provides areas where OPM can enforce contract or Carrier Letter actions to encourage the safe prescribing and dispensing of opioids. Specifically, the audit of a large FEHBP carrier identified a need for the carrier to strengthen its controls to ensure only allowable opioids were safely prescribed and dispensed. The Pharmacy Benefit Manager used by the health insurance carrier did not have sufficient safeguards to stop excessive quantities of

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

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

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

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

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

Retirement Claims Processing

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

The timely issuance of annuitants' payments remains a challenge for OPM, especially coordinating retirement benefits between OPM and other Federal agencies for disability benefits and workers' compensation. In OPM's Strategic Plan (FY 2018 - 2022), Goal 4's objective is to "[i]mprove retirement services by reducing the average time to answer calls to five minutes or less and achieve an average case processing time of 60 days or less." OPM appears to remain focused on its internal process improvements and external outreach towards other Federal agencies to meet their goal. However, Retirement Services' average case processing time from October 2020 through April 2021 was 75 days, 25 percent above their goal of "60 days or less." OPM explains that, as of April 2021, initial retirement cases processed in less than 60 days took an average of 44 days to complete, whereas cases processed in more than 60 days took an average of 99 days to complete. In addition, based on a recent audit,[6] we found that disability applications are often incomplete when they are received by OPM, which requires further development of the case before moving to the next phase of processing. Further, the case management system is a legacy system requiring employees to manually input case information and does not allow Retirement Services to distinguish system coding errors, which can lead to processing delays and inaccuracies. The recommendations from our audit report have been resolved and we are awaiting documentation supporting implementation of corrective actions to close the recommendations.

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

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

[6] *Final Report on the Audit of the U.S. Office of Personnel Management's Retirement Services Disability Process*, (Report No. 4A-RS-00-19-038), issued October 30, 2020.

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

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

Retirement Services Customer Service

The OPM OIG continues to receive contacts and complaints from annuitants and other members of the public who are frustrated by attempts to resolve retirement annuity-related issues with OPM's Retirement Services customer service office. These calls are primarily received by our OIG fraud hotline.

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

The need for a modern, digital retirement system remains essential, and it is a huge challenge for OPM. Additional customer service staffing and improved operational processes are also areas that Retirement Services has noted as viable ways to increase customer satisfaction. The OIG agrees with this, but it is a solution requiring support from Congressional partners and strong planning and development to implement effectively.

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

Retirement Services Call Center Issue and Status

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

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

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

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

While OPM made strides in the last year to enhance the Retirement Services call center operations, fundamental change will require an investment of time and resources and improved business processes. Because the technology and infrastructure are not fully optimized for true call center operations, the OPM OCIO is spearheading a transition to a commercial cloud-based call center system. This will provide an integrated host of communication channels such as telephone, web, chat, email, and text. This type of solution also has the ability to resolve customer issues, track customer interactions, and provide various performance metrics to improve overall customer service without a heavy investment in hardware and maintenance.

OPM informed us that in July 2021 the agency awarded a contract to implement a cloud-based contact center solution designed to increase efficiency and service delivery.

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

Challenge 3

INFORMATION TECHNOLOGY

Modernization and Transformation

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

OPM's former Chief Information Officer articulated a compelling vision for IT modernization that could be successful if it is fully supported by OPM leadership and properly funded over time. OPM commissioned McKinsey and Company to conduct an independent, in-depth study to identify a path forward and estimate the costs of fulfilling the Chief Information Officer's vision. The current Chief Information Officer is now in the process of executing this way ahead.

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

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

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

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

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

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

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

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

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

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

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

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

Open Audit Recommendations

An important and related challenge for the agency is to take corrective action regarding open, unresolved audit recommendations. In our latest Semi-Annual Report to Congress, we included, as required, a compendium of open recommendations. In this document, we identified a total of 136 unique open recommendations from our annual Federal Information Security Management Act and related information systems audits. Several of these recommendations refer to internal control weaknesses identified as far back as 2008.

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

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

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

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

Challenge 4

GOVERNMENT-WIDE CHALLENGE

Strategic Human Capital Management

The U.S. Government Accountability Office (GAO) reported in their March 2021 report, *HIGH RISK SERIES, Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas,* that since 2001, strategic human capital management has been on their high-risk list of Government-wide challenges requiring focused attention. In that report, GAO stated that they have made numerous recommendations to OPM focused on this high-risk area and related human capital issues, 67 of which remain open as of November 2020.

GAO suggested that additional progress could be made if OPM were to complete actions to implement open recommendations, such as examining ways to make the general schedule system's design and implementation more consistent with the attributes of a modern, effective classification system and assessing information on agencies' use of hiring authorities to identify opportunities to refine, consolidate, eliminate, or expand agency specific hiring authorities to other agencies and implement changes where OPM is authorized.

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

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

- they are directly supporting the Biden Administration's talent surge efforts to close skills gaps through recruiting and hiring top talent.

- they revised and issued new policies and supported Executive Orders to reduce agency barriers and expand opportunity in the posting, application and hiring processes for Federal positions (e.g., post-secondary hiring authority).

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

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

The FY 2020 National Defense Authorization Act directed the OPM Director to contract with the National Academy of Public Administration (NAPA) to conduct an independent study to assess OPM's statutory and non-statutory functions, identify associated challenges, and recommend a course of action to address the challenges including any statutory or regulatory changes needed to implement the recommendations. The reason for the study was the Trump Administration's plan to move OPM's policy functions to the Office of Management and Budget and to merge the remaining functions with GSA.

In March 2021, NAPA issued its report, *Elevating Human Capital: Reframing the U.S. Office of Personnel Management's Leadership Imperative.* The report highlighted the important role of human capital management in carrying out agency missions and initiatives and solving complex problems. It presents the results of the congressionally mandated study of OPM's functions and the associated challenges in executing those functions. The study imparts a roadmap of actions needed to raise the attention on, and value of, human capital for addressing critical workforce issues by reframing OPM's mission and affording the agency the foundation needed to lead strategic human capital management Government-wide. With a new Administration and Congress, the report provides an opportunity for a fresh look at changes OPM can make to become both the organization and the Government-wide leader it was always meant to be.

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

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

- Human capital is recognized and supported as a strategic priority across Government by the Administration, the Congress, and Federal agencies.

- OPM's role is reaffirmed and strengthened as the leader for strategic human capital management Government-wide.

- OPM's approach to human capital management evolves from predominantly compliance oriented to customer-focused, value-added, data-driven, and forward-looking, encouraging innovation and sharing of best practices.

- OPM's technology platforms are modernized, affording secure and efficient access to human capital data and systems supporting Government-wide human capital management.

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

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

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
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Agency Response to the OIG Top Management Challenges Report

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

MEMORANDUM FOR NORBERT E. VINT
Deputy Inspector General

FROM: Dennis D. Coleman
Chief Management Officer

SUBJECT: Agency Comments on the OIG Report – "The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2022," dated October 13, 2021

Thank you for your Fiscal Year (FY) 2022 report on the top management challenges facing OPM. Many of the challenges are complex and long-standing. However, OPM leadership is committed to strategically prioritizing resources and activities to address the challenges incrementally over time until they are resolved. Resolving the top challenges will require multi-year investments in both information technology modernizations and/or upgrades, obtaining key staffing resources; as well as substantial changes to long-standing policies, procedures, and/or programs that exist both within and outside of OPM. Agency leadership will continue to engage with the Office of the Inspector General (OIG) as we implement corrective actions in addressing the top management challenges.

During the FY 2021, OPM addressed some of the challenges noted; for instance, providing reimbursable support services to the Defense Counterintelligence and Security Agency (DCSA), implementing several initiatives to control healthcare costs, and issuing several carrier letters to address coverage of healthcare services related to COVID-19. In addition, OPM filled key agency leadership positions, such as appointing a new career Chief Information Officer (CIO). Having strong leadership in key agency positions will provide OPM with the vision and direction necessary to overcome the remaining challenges.

While we concur with the overall findings of your report, we do not concur with some of the OIG's recommendations and characterizations related to the continuing shortfall of OPM's funding, the Federal Employees Health Benefits program, stopping the flow of improper payments, and information technology.

Challenge 1, Continuing Shortfall in OPM's Funding. We agree that funding shortfalls hinder OPM's mission delivery. However, OPM's FY 2022 budget request to Congress seeks resources that are sufficient to mitigate the shortfall caused by the transfer of the investigative services function.

Challenge 2, Financial Integrity of OPM's Trust Funds.

Federal Employees Health Benefits (FEHB) Program.
FEHB Program Premiums and Healthcare Costs. The overarching objective in FEHB annual benefit and premium negotiation is improving value, promoting quality and affordability, and maintaining Program stability. The levers OPM uses to control premiums are derived from the Program's structure, as set forth in law, regulations, and policy and include:

- Competition between carriers
- Benefit design/cost neutrality
- Prudent use of reserves
- Assessment of plan performance

5 U.S.C. 8902(i) requires rates to "reasonably and equitably reflect the cost of the benefits provided." OPM expects to maintain competitive rates through this year's rate negotiation as we have throughout the FEHB Program's history.

This year's Call Letter included several initiatives to control costs and maintain Program affordability. First, OPM is continuing to expand FEHB Program transparency by requiring carriers to provide members with drug and medical services cost transparency tools to help members make meaningful decisions about the cost of their healthcare. In addition, this year's Call Letter reaffirmed OPM's position to cover all preventive services recommended by the United States Preventive Services Task Force (USPSTF) with an "A" or "B" rating as a preventive service. OPM also reinforced that FEHB Carriers are not to cover as preventive benefits those services with a sole rating of "D" from the USPSTF as those services needlessly increase costs with no associated medical benefit.

Additionally, in conjunction with the Departments of Health and Human Services, Labor and Treasury, OPM is currently promulgating regulations for FEHB Carriers under 5 U.S.C. 8902(p), as added by the No Surprises Act set forth in Division BB, Title I of the Consolidated Appropriations Act, 2021. This law and accompanying regulations will control excessive out-of-pocket costs to FEHB enrollees from surprise medical billing from out-of-network providers. These provisions will provide patients [to include FEHB enrollees] with financial peace of mind while seeking emergency care as well as safeguard them from unknowingly accepting out-of-network care in connection with certain in-network facilities and subsequently incurring surprise billing expenses[1].

Prescription Drug Benefits and Costs. OPM has a long-term, multi-pronged strategy in place to mitigate and manage prescription drug costs while maintaining overall program value and effectiveness. OPM continues to provide guidance on pharmacy benefits in Carrier Letters (e.g., Carrier Letters 2021-03 and 2020-01). This includes formulary and benefit design strategies, drug coverage parameters and medication management programs that carriers must have in

[1] HHS Announces Rule to Protect Consumers from Surprise Medical Bills | HHS.gov

place. Further, guidance focused on pharmacy benefits was consolidated in a recent carrier letter, Carrier Letter 2021-02. The FEHB Program has flow-down Pharmacy Benefit Manager (PBM) transparency standards in its carrier contracts that guide how drug discounts, rebates, administrative fees, or other financial terms with PBMs are negotiated by FEHB Carriers. In addition, OPM constantly reviews and updates, as appropriate, the PBM transparency standards in its carrier contracts to reflect ongoing changes in the pharmacy benefit landscape.

The OIG indicates the cost of prescription drugs (in calendar year 2019) represents approximately 30.5 percent of total health care expenditures in the FEHB Program and that most FEHB Carriers are reporting an increase in drug costs. We note that the FEHB Program is unique in that our prescription drug expenditure includes Federal annuitants, who represent nearly one half (46.9%) of the more than four million FEHB Program subscribers . For most annuitants, the FEHB Program plans pay for prescription drug coverage instead of Medicare, which significantly inflates the percentage of FEHB Program spending dedicated to pharmacy benefits.

There are two key points to remember when comparing FEHB Program pharmacy trends to other large employer group health plan pharmacy trends. The first point is that other large employer group health plans typically exclude retirees; if they do not, they likely have access to a retiree drug subsidy to offset pharmacy costs. The second point is that FEHB Carriers leverage their entire purchasing power to negotiate drug pricing on behalf of the FEHB population. For example, for community-rated carriers, the FEHB Program benefits from the carrier's total community experience, and for the experience-rated, the Program benefits from each carrier's ability to negotiate based on its entire book of business, of which the FEHB Program may be a small part, resulting in substantial savings.

OPM, through its leadership, Contracting Officers, Health Insurance Specialists and Chief Pharmacy Officer, works continuously with FEHB Carriers to ensure that they are following OPM pharmacy guidance and contractual obligations.

The OIG issued a Management Advisory Report (MAR) on the FEHB Program Prescription Drug Benefit Costs, which discussed concerns that OPM may not be obtaining the most cost-effective pharmacy benefit arrangements under the FEHB Program. OIG has recommended OPM conduct an updated, comprehensive study to identify ways to lower prescription drug costs. OPM is not averse to conducting such a study if funding becomes available.

FEHB Program Enrollment and Eligibility. In FY 2021, Healthcare, and Insurance (HI) took several steps to strengthen controls surrounding ineligible family members at the agency and carrier level. We issued detailed guidance on preventing ineligible individuals from being added to the FEHB Program as family members through a requirement to review eligibility documentation in Carrier Letter 2021-06 and Benefits Administration Letter (BAL) 2021-202, as well as guidance on identifying and removing ineligibles currently on the rolls as family members in Carrier Letter 2020-16 and BAL 2020-203. OPM has engaged and continues to engage the agencies/Agency Benefits Officers and carriers to gain insights into their experience following the implementation of this new guidance.

Moreover, to align with the BAL guidance, OPM initiated development efforts of a pilot program with Employee Express (EEX) to provide EEX users an electronic mechanism to submit family member supporting documentation.

The OIG notes that a gap exists in verifying family member eligibility during Open Season when agencies must process a large volume of Open Season transactions timely. OPM recognizes the potential for ineligible persons to be enrolled during this time. However, our guidance issued in Carrier Letter 2020-16 and BAL 2020-203 provides a mechanism for agencies and carriers to retroactively identify and remove ineligibles that may have been added to enrollments as family members, including during Open Season.

The OIG indicates that OPM is unable to identify or estimate the number of ineligible family members receiving benefits or the amount of improper payments to the FEHB Program. As the enrollment process is currently structured, each agency is responsible for ensuring eligibility requirements are met.

OPM's vision to address these issues holistically is to move to a Central Enrollment Program (CEP) that would process enrollments, house enrollee and family member information and serve as the system of record for FEHB enrollment. This government-wide project has considerable conceptual support but is currently not funded and has a lengthy timeline. We are continuing our preliminary work on the CEP, including market research, stakeholder outreach and potential funding. As an interim, but necessary step in establishing the CEP, we are working to create a historical master enrollment index (MEI).

Health Benefits Carriers' Fraud and Abuse Programs. OPM requires FEHB Carriers to have robust fraud, waste, and abuse (FWA) programs and carriers must report to OIG. Carrier requirements are found in Section 1.9 in the FEHB standard contracts as well as in Carrier Letter 2017-13, which was developed in collaboration with OIG. Although OIG indicates that OPM delegates anti-fraud, waste and abuse programs to FEHB Carriers and its contractors, in fact, per the FEHB contract, OPM requires carriers to conduct vigorous fraud, waste and abuse programs and OPM has oversight regarding this contract requirement.

OPM remains committed to effective oversight and administration of the FEHB Program, and strengthening controls surrounding carriers' FWA programs, which continue to be a priority. We are reviewing OIG's concerns in this management challenge report and in response to OPM audits that address FWA requirements. For instance, we implemented new contract language for 2021 to clarify that in cases of fraud and abuse, carriers will coordinate with OIG as required by the contract and FWA guidance prior to attempting to recover erroneous payments.

Since accurate enrollment is one component of an effective anti-FWA program, OPM is hopeful that full implementation of the MEI will permit us to develop an accurate and complete baseline of enrollments.

Stopping the Flow of Improper Payments
The FEHB Program and Improper Payments. OPM's Office of Management and Budget (OMB)-approved Improper Payment (IP) methodology was developed by OIG, HI and CFO

leveraging OIG's full-scope, targeted, global, and carrier-specific audits of the FEHB Program, and includes Fraud recoveries from OIG, FEHB carriers and Department of Justice (DOJ) efforts. The Payment Integrity Information Act of 2019 (PIIA) and OMB Circular A-123, Appendix C, define IP reporting requirements. OMB updated its Circular A-123, Appendix C in March 2021 and HI is working closely with the CFO to implement the IP reporting requirements. For FY 2021, HI does not meet the IP reporting threshold and is eligible for IP reporting relief. Nonetheless, OPM/HI has not sought this relief this year or in previous years, due to its commitment to IP reporting and its relationship with the OIG..

In FY 2020, OIG issued a Final audit report of the (FEHB) Program and Retirement Services Improper Payments Rate Methodologies. The agency has responded to the recommendations in that report and will continue to work with OIG to address the recommendations we concur with, while communicating the reasons behind those we do not. We are continuing to work closely with OIG on Improper Payments and are exploring a range of proposals and potential edits to Section 2.3 of the standard FEHB contracts to clarify our expectations and improve carrier actions in their internal erroneous payment activities.

Focused efforts have been dedicated to addressing the opioid crisis, and we have supported the Administration's efforts to ensure access to diagnosis and treatment data on COVID-19. Carrier Letters 2020-19 and 2020-08 were issued to address coverage of healthcare services related to COVID-19. FEHB Carriers have responded to our requests, and we will continue to monitor the situation for updated or new guidance as needed.

OIG acknowledges that centralized claims and enrollment repositories are needed to fully address this challenge. The MEI, discussed above, is a large-scale project that has been identified as a key need in HI for several years and substantial efforts have been taken, in accordance with available resources. Similarly, OIG's suggestion that OPM establish a Program Integrity group that includes carrier enforcement and IP Root Cause Analysis functions is a large-scale project that would require reorganization, along with increased staffing and funding.

OPM remains committed to effective oversight and administration of the FEHB Program, and strengthening controls surrounding FEHB Carriers' Fraud, Waste, and Abuse (FWA) programs continues to be a priority. OIG continues to advocate that OPM/HI create a Program Integrity Office. We disagree, as this function already resides within the OIG. In creating an independent and objective 'unit', Section 9 of the Inspector General Act of 1978, as amended, transferred to OPM's OIG, the "Insurance Audits Division, Retirement and Insurance Group", and the "Analysis and Evaluation Division, Administration Group". This transfer of HI's functions created the audit and oversight functions currently performed by OIG, which form the basis of the Management-Advisory partnership we currently and collaboratively leverage to ensure program integrity across the breadth of HI's benefit programs. OPM's commitment in administering and overseeing the FWA programs via this partnership is unwavering.

Risks to the FEHB Program from the Opioid Crisis. OPM has provided comprehensive guidance regarding opioids in Carrier Letters 2021-03, 2021-02, 2020-01, and 2019-01. This includes prevention strategies, treatment parameters and supports that carriers must have in place for the prevention and treatment of substance use disorder including opioid use disorder. While the current opioid crisis is mostly driven by illicitly manufactured fentanyl, OPM continues to focus on safe opioid prescribing, opioid safety monitoring programs and access to evidence-based substance use disorder treatments.

The quantity of opioids dispensed in the FEHB Program has consistently declined over the past several years. This is similar to the decline reported in the Centers for Disease Control and Prevention's U.S. Opioid Dispensing Rate Map.2 All FEHB Carriers that adjudicate prescriptions currently have quantity limits in place that restrict the initial number of opioids that can be dispensed to opioid-naïve members and have safety edits in place to ensure the safe dispensing of all opioids. FEHB Carriers also have programs in place to monitor Morphine Milligram Equivalents (MME) across all opioid prescriptions dispensed to ensure safe opioid utilization. All FEHB Carriers cover medication assisted treatment (MAT) for the treatment of opioid use disorder and make naloxone, an opioid reversal agent, available with no or lower cost-sharing. OPM is reviewing and has not yet determined if OIG's recent audit of an FEHB Carrier's controls to safely prescribe and dispense opioids to members will result in corrective actions for the carrier.

OPM has also included language in the FEHB contracts to ensure that PBMs and entities providing products and services used in the administration of the pharmacy benefit have FWA processes in place to proactively identify and mitigate risks related to FWA. Since opioids still play an important role in pain management, OPM does not expect opioid dispensing within the FEHB Program to continue declining indefinitely and realizes that opioid dispensing will at some point plateau.

HI leadership, Contracting Officers, Health Insurance Specialists, and the Chief Pharmacy Officer work with FEHB Carriers to ensure that they adhere to OPM's guidance on opioid utilization and substance use disorder treatments.

OPM's early intervention and comprehensive multi-pronged approach to the opioid epidemic has resulted in FEHB Carriers having robust programs in place to prevent, support and treat opioid use disorder. OPM continues to monitor FEHB Carrier opioid programs and opioid utilization to ensure the prevention of opioid misuse, effective pain management, treatment of opioid use disorder, and supportive recovery programs within the FEHB Program.

OPM is committed to and has made significant improvements in addressing these challenges.

[2] https://www.cdc.gov/drugoverdose/rxrate-maps/index.html

Challenge 3, Information Technology.
In 2021, OPM leadership appointed a new career SES as the OPM CIO. This OPM CIO has established and filled new key CIO executive positions. He has also filled other key CIO executive positions that had previously been vacant. This new OCIO leadership team is providing more consistency, which will better enable the OPM CIO to address the agency's IT challenges.

Many of the challenges identified in the report are aligned to the objectives in OPM's FY 2022-2026 Strategic Plan, and OPM is committed to addressing these challenges.

Thank you for considering management's perspective as you developed this annual report. We look forward to a continued constructive exchange of ideas and information with you in each of these areas.

FY 2021 Summary of Financial Statement Audit and Management Assurances

OPM's Summary of Financial Statement Audit and Management Assurances are shown in Tables 42 and 43, respectively.

Table 42 – 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 43 – 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 2021 Payment Integrity Report includes a discussion of the following information:

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

For more detailed information on improper payments in this and previous fiscal years, visit **Payment Accuracy Report**. 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 2021 for two major programs: Federal Retirement Services 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 2021 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

The Federal Employees Health Benefits (FEHB) Program became effective in 1960. It is the largest employer-sponsored group health insurance program in the world, covering approximately 8.2 million Federal employees, annuitants, family members, and other eligible individuals. Since its inception, the FEHB Program has provided quality, affordable and comprehensive health benefits. The Program offers national and local plan choices, represents excellent value, receives high satisfaction ratings, and is a vital part of the federal government's benefits package.

Healthcare and Insurance (HI) administers the FEHB Program through contracts with participating carriers that provide health benefit plans to FEHB members. Two types of carriers participate in the Program: experience rated carriers (ERCs) and community rated carriers (CRCs). Experience rated carriers maintain separate accounting for their FEHB Program contracts and receive reimbursement of their actual, reasonable, allowable, and allocable administrative and claims expenses. Alternatively, community rated carriers do not get direct reimbursement of their administrative expenses but 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 to enhance program integrity, protect taxpayer resources, and reduce 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 program offices that regularly address improper payments.

Retirement Program

Senior management remains committed to ensuring the rate of improper payments remains at .38 percent or less. In 2019, the Fraud Branch was established under the Retirement Services Program to manage the integrity of the annuity roll. The Fraud Branch responds to inquiries of alleged fraud and data integrity breaches in order to safeguard the annuity rolls. The Branch answers fraud inquiries involving all phases of retirement processing to include the proper routing of payments, the payment of life insurance, the provision of health benefits, the representative payee process, and medical review. The branch's data integrity team monitors error reports and extracts data on an annuity to confirm and correct information to maintain accuracy.

Health Benefits Program

Healthcare and Insurance Contracting Officers (CO) exercise broad authority in their day-to-day oversight of FEHB Carriers through negotiations, contract compliance, reviewing large provider contracts and sub-contracts, defense of lawsuits, adjudication of disputed claims, benefit negotiations, performance assessments, and more. Recovering and preventing improper payments are among the key factors that Contracting Officers consider when assessing performance. Accountability is inherently incorporated into Contracting Officers' routine activities such as the use of resolution timelines to work plans, partnering with both the Office of the Inspector General (OIG) and carriers to improve fraud and abuse reporting, amending FEHB contracts, longer-term project planning, audit resolution activities, improper payment recovery goals, and other internal control-strengthening activities. Contracting Officers' and other involved management's performance standards are results-based, reflect audit resolution priorities, and are reviewed annually.

Healthcare and Insurance's oversight of carriers includes the FEHB Plan Performance Assessment (PPA), which uses a discrete set of quantifiable measures to examine key aspects of FEHB Carrier's contract performance. The Plan Performance Assessment, including the Contract Oversight component, helps ensure payment integrity by creating a risk that carriers will lose money for performance in this area. The Plan Performance Assessment determines health-plan profit or performance adjustment factors which makes it a strong incentive to effect carrier behavior. Developed by OPM, Plan Performance Assessment ensures a consistent assessment system and objective performance standards, as well as more transparency for enrollees. Overall, during the 2021 contract year scoring cycle, the FEHB Program continued to perform above the national commercial mid-point (50th percentile) in the following high priority metrics: controlling high blood pressure, diabetes care, prenatal care, and imaging for low back pain. 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 Plan Performance Assessment. This is a crucial step in evaluating the FEHB value equation (healthcare quality and affordability).

3.0 Audit Recovery

The Payment Integrity Information Act of 2019 (PIIA) requires any program that expends at least $1 million during the year to implement recovery audits, if cost-effective to the agency, to recover improper payments. The requirement is independent of whether a program is susceptible to significant improper payments.

OPM has determined that it is not cost-effective to fund an outside Recovery Audit and Activities Program for either of its reported (RS or FEHB) programs. Proper validation, recovery, and reporting of questioned costs or preliminary overpayments requires substantial institutional knowledge of program processes, regulations, contracts, systems, and records. Still OPM remains committed to extensive internal recovery efforts for both the Retirement Program and the FEHB Program and, anticipates achieving 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 44 summarizes OPM's debt management activity for September 2021 and 2020. 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 44 – Debt Management Activity

Retirement Program ($ in Millions)		
Receivables Activity	**September 2021**	**September 2020**
Total receivables at beginning of year	$421.88	$420.2
New receivables and accruals	$228.37	$223.0
Less collections, adjustments, and amounts written-off	$255.17	$221.3
Total receivables at end of period	$395.08	$421.9
Total delinquent	$12.54	$14.4
Percent delinquent of total receivables	3.17%	3.4%

Health Benefits Program ($ in Millions)		
Receivables Activity	**September 2021**	**September 2020**
Total receivables at beginning of year	$32.82	$77.0
New receivables and accruals	$47.38	$24.7
Less collections, adjustments, and amounts written-off	$44.96	$68.9
Total receivables at end of period	$35.24	$32.8
Total delinquent	$34.39	$23.9
Percent delinquent of total receivables	97%	73%

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 45 and 46 compare OPM's percentages that are more than 61 days old to Government-wide percentages.

Table 45 – Travel Card Usage

($ in Thousands)	September 2021*	September 2020
Outstanding Balance (OPM)	$10,470.40	$0.00
Outstanding more than 61 days (OPM)	$2,187.75	$0.00
% outstanding more than 61 days (OPM)	20.89%	0.00%
% outstanding more than 61 days (Government wide)	6.78%	6.58%

* September 2021 source: GSA current and historical delinquency metrics for the CFO Act Agencies

Table 46 – Purchase Cards

($ in Thousands)	September 2021	September 2020
Outstanding Balance (OPM)	$81.78	$30.05
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)	0.53%	0.24%

Fraud Reduction Report
In 2016, Congress passed the Fraud Reduction and Data Analytics Act of 2015 (the "Act"). The Act requires agencies to establish financial and administrative controls to identify and assess fraud risks and design and implement control activities to prevent, detect, and respond to fraud, including improper payments. Additionally, the Act requires agencies to report to Congress annually on the progress of the agency in implementing (1) financial and administrative controls established pursuant to the Act, (2) fraud risk principle 8 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 in identifying potential opportunities or occurrences 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.

OPM's Healthcare and Insurance (HI) 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 controls 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 provide specific fraud mitigation and reduction guidance to insurance carriers through Carrier Letters and specific contract provisions related to fraud, waste, and abuse. The Carriers assess their vulnerability to fraud, waste and abuse to include but not limited to performing post-payment reviews and audits of providers identified either proactively or reactively. Each Carrier operates a system designed to detect and eliminate fraud, waste and abuse internally by Carrier employees, subcontractors who provide goods or services to FEHB Members, and 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 fraud, waste and abuse 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 fraud, waste and abuse program. The Carrier must submit annual fraud, wastes and abuse reports to OPM. The Carrier Letter, issued in 2021, 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 coordinated with the Department of Justice and other law enforcement agencies.

OPM's Retirement Services (RS) program performs 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 is the Consolidated Death Match, 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, an annual matching of social security numbers from SSA against the annuity roll to determine if an annuitant is deceased. Lastly, the Representative Payee Survey, surveys the benefit payment recipients to ensure the person receiving the benefit 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 Fraud unit researches fraud allegations received from tips and the OIG hotlines. The branch monitors the annuity roll to identify and correct anomalies to ensure the payment data and payment transmittal is accurate.

OPM's Office of Procurement Operations (OPO) has policies and procedures to provide oversight and management of contractual actions of various size, scope, and complexity. OPO has extensive contract and procurement policies to aid in reducing the risk of fraud; the policies include the administration of source selection, contract administration, contractor performance, and procurement activities. 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 Administrative representative, Acquisition Policy, and General Counsel. Where in instances as the contractual action necessitates, numerous other separate and distinct team members may also be involved in the 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 contractual actions, reducing overall risk to the agency. OPM also requires a Contracting Officer's Representative (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. The applicable Contracting Officer reviews, approves, and formally appoints the COR.

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

OPM management has safeguards in place to reduce fraud in its payroll activities. Prior to OPM Human Resources establishing an employee's profile in the payroll system, the employee needs an OPM electronic mail (which is only established and provided by the Office of the Chief Information Officer (OCIO)), and to successfully complete the cybersecurity and information technology security training. OCIO verifies the status of the employee's National Agency Check (NAC) clearance before network access is granted. OCIO does not give network access to new employees without a clearance. OPM's Facilities, Security, and Emergency Management (FSEM) Personnel Security is responsible for determining an employee's personal identity verification (PIV) credential eligibility and issuing the PIV. To receive a PIV credential, the applicant must appear in person to be fingerprinted. After an employee's network access is initiated, Human Resource (HR) establishes the employee's account in the payroll system. The organization's time administrator creates the employee's base schedule for supervisor approval. The employee's profile is established in the payroll system to submit a time sheet for approval and payment. HR, OCIO and FSEM collaborate to verify this information before granting an employee logical access to OPM's network and payroll system. OPM uses the results of various monitoring and evaluation activities such as the 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 and administrative programs. The OIG conducts investigations of potentially fraudulent activities and works with various program units to implement corrective actions to improve compliance.

In FY 2021, OPM continued fraud reduction efforts through a wide variety of mechanisms. OPM performed audit follow-up activities on the programs with outstanding control deficiencies from the previous year's fraud risk assessment for benefit payments, contracting, purchase card, and the travel card programs to determine if the corrective actions were implemented and operating effectively and efficiently to reduce or mitigate fraud risk. The results of the follow-up activity produced favorable results with a few exceptions. Program offices were notified of the control deficiencies and corrective action plans were obtained. OPM will continue to incorporate mitigating strategies to improve its internal controls. OPM will follow-up to ensure corrective actions are implemented to mitigate the control deficiencies identified.

In addition, OPM considered fraud risk at the enterprise-level through the Risk Management Council (RMC). The RMC is facilitated by the Office of the Chief Financial Officer and comprised of representatives from senior leadership. The RMC is responsible for implementing, directing, and overseeing the implementation of OMB Circular A-123 and all the provisions of a robust process of risk management and internal control. OPM's RMC develops, implements, and leads an enterprise-wide risk management program, including the strategies, policies, procedures, and systems established by management to identify, assess, measure, and manage the major risks facing the agency. The Council also has the responsibility for ensuring the establishment and maintenance of an effective system of internal control.

Civil Monetary Penalty Inflation Adjustment
On November 2, 2015, the President signed the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 ("the 2015 Act"), which was included as Section 701 of the Bipartisan Budget Act of 2015. The 2015 Act amended the Federal Civil Penalties Inflation Adjustment of 1990 to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect. OPM's penalty for 2020 is shown in the table below. OPM did not publish the notice in the Federal Register for 2021.

Table 47 – Civil Monetary Penalty Inflation Adjustment

Statutory Authority	Penalty Name & Description	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty (Dollar Amount or Range)	Bureau Name	Location for Penalty Update Details
5 CFR 185, 103(a); 5 CFR 185, 103(f)(2)	Civil Penalty for False Claims & Statements	2015	2020	$11,665	Not Applicable	**Civil Monetary Penalty Inflation Adjustment** 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
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Administrative Resource Center
BFS	Bureau of the Fiscal Service
BMS	Budget Management System
CARES	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
CIO	Chief Information Officer
CLIA	Congressional, Legislative, and Intergovernmental Affairs
COLA	Cost of Living Adjustment
CRC	Community-Rated Carrier
COP	Congressional Operational Plan
COR	Contracting Officer's Representative
CSRDF	Civil Service Retirement and Disability Fund
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act
DCIA	Debt Collection Improvement Act
DISP	Debt Issuance Suspension Period
DoD	Department of Defense
DOJ	Department of Justice
DQP	Data Quality Plan
ECAS	Enterprise Cost Accounting System
EEO	Equal Employment Opportunity

Acronym	Definition
EPL	Emergency Paid Leave
EPV	Expected Present Value
ERM	Enterprise Risk Management
ES	Employee Services
ESC	Enterprise Service Center
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance With Treasury
FEDVIP	Federal Employees Dental and Vision Insurance Program
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefits
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	Federal Flexible Spending Account Program
FSEM	Facilities, Security & Emergency Management
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GAS	Government Account Series

Acronym	Definition
GMRA	Government Management Reform Act of 1994
GS	General Schedule
GSA	General Services Administration
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
HCDMM	Human Capital Data Management and Modernization
HI	Healthcare and Insurance
HMO	Health Maintenance Organizations
HR	Human Resource
HRS	Human Resources Solutions
ICAM	Identity, Credential, and Access Management
IPA	Independent Public Accounting (firm)
IPIA	Improper Payments Information Act
IT	Information Technology
MSAC	Merit System Accountability and Compliance
NAC	National Agency Check
OC	Office of Communications
OCIO	Office of the Chief Information Officer
OD	Office of the Director
OGC	Office of the General Counsel
OGE	Office of Government Ethics
OIG	Office of the Inspector General
OLBP	Online Bill Pay
OMB	U.S. Office of Management and Budget
OPEB	Other Postemployment Benefits
OPIM	Office of Privacy and Information Management
OPM	U.S. Office of Personnel Management
OPO	Office of Procurement Operations
ORB	Other Retirement Benefits
OSDBU	Office of Small and Disadvantaged Business Utilization
PIV	Personal Identity Verification

Acronym	Definition
PL	Public Law
PMA	Performance Management Application
PRHB	Postretirement Health Benefits
PSRHB	Postal Service Retirees Health Benefits
PSRHBF	Postal Service Retiree and Health Benefit Fund
QSMO	Quality Service Management Office
RMC	Risk Management Council
RMIC	Risk Management and Internal Control Group
RS	Retirement Services
SAOC	Spending Authority from Offset Collections
SBR	Statement of Budgetary Resources
S&E	Salaries and Expenses
SFFAS	Statement of Federal Financial Accounting Standards
SIU	Special Investigation Unit
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
TJF	Treasury Judgment Fund
TLS	Transport Layer Security
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

Appendix B – Listing of Tables

U.S. Office of Personnel Management

Chief Financial Officer

1900 E Street, NW, Washington, DC 20415

OPM.gov

CFO-03436-11/21