



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

December 8, 2025

MEMORANDUM FOR: NORBERT E. VINT

Deputy Inspector General Performing the Duties of Inspector General

FROM:

SCOTT A. KUPOR
Director

A blue ink signature of Scott A. Kupor, written in a cursive style.

SUBJECT:

Agency Comments on the OIG Report Titled, "Final Report on the U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2026"

Thank you to the Office of the Inspector General (OIG) for this articulation of the FY 2026 top management challenges for the Office of Personnel Management (OPM).

The OIG's ability to comment on management challenges is shaped by the statutory independence that defines its role. This independence naturally distinguishes oversight functions from operational management.

Because the OIG does not serve as an operating component, its perspective is necessarily that of an external observer. We have explored opportunities to enhance OIG's visibility into our work and to increase collaboration in areas such as fraud prevention and risk mitigation.

In this regard, we have created a new Privacy & Risk Management Office within the OPM Office of the Director, along with reinvigorating OPM's Risk Management Council. These changes are part of our enhanced focus on risk mitigation, programmatic efficiency, and anti-fraud activities at OPM. As part of those efforts, we hope to partner more closely with the OIG with respect to its audit and risk mitigation activities, which we believe will be complementary to our own.

Ultimately, the OIG provides its assessments from an oversight perspective rather than as a participant in operational execution. As a result, its views on management challenges may not reflect the full scope of ongoing activities within the agency. Even so, we appreciate the opportunity to respond to and engage with the OIG's observations.

OPM's Role in Addressing Strategic Human Capital Management – We begin with this topic as human capital management is central to OPM's mission yet receives limited attention in this report.

In discussing this area, the report does not reflect the significant progress OPM has made under the leadership of President Trump in advancing, modernizing, and improving government-wide human capital management. OPM has undertaken a range of initiatives that

have strengthened and transformed federal human capital practices. These accomplishments, which are not referenced in the report, include:

1. OPM implemented the Deferred Resignation Program (DRP) and supported agencies in implementing reductions-in-force, resulting in historic reductions in non-essential federal employees, positions, and offices, saving billions in taxpayer dollars;
2. OPM implemented return-to-office for federal employees (per President Trump's memorandum *Return to In-Person Work*), resulting in the federal workforce going from heavily remote to almost entirely in-office, enhancing training, collaboration, service delivery, and teamwork;
3. OPM issued a comprehensive Merit Hiring Plan (pursuant to President Trump's Executive Order *Reforming the Federal Hiring Process and Restoring Merit to Government Service*), with detailed plans and strategies to overcome longstanding challenges in federal hiring. OPM implemented the plan by upgrading its inventory of skills-based assessments, requiring the use of at least one skills-based assessment in all competitive hiring actions and ending self-assessments.
4. OPM led the elimination of unlawful "diversity, equity and inclusion" programs (implementing President Trump's Executive Order *Ending Radical and Wasteful Government DEI Programs*);
5. OPM overhauled federal performance management, ensuring federal employees are held to the highest standards of efficiency and integrity, creating new government-wide supervisory training on performance management, and requiring supervisory performance evaluations tie directly to management ability. That guidance to agencies also requires that awards and bonuses provide meaningful incentives for top performers;
6. OPM has undertaken significant regulatory changes, including implementing the "Rule of Many" to provide increased flexibility for hiring managers while reinvigorating merit-based hiring; creating Schedule Policy/Career to ensure increased accountability for career policy-making federal employees; and implementing enhanced standards of suitability and fitness and ensuring those standards apply to current employees, not just to applicants;
7. OPM, in partnership with the White House Office of Management and Budget, is currently requiring each federal agency to undergo comprehensive workforce planning in connection with their annual staffing plans pursuant to President Trump Executive Order *Ensuring Continued Accountability in Federal Hiring*. As part of the staffing plans, agencies are identifying critical skills gaps, which will allow OPM to address the most important ones with government-wide actions;
8. OPM thoroughly overhauled the Senior Executive Service (SES) (pursuant to President Trump's memorandum *Restoring Accountability for Career Senior Executives*), transforming the way the government's top tier of managers is hired, trained, and

managed to prioritize merit, accountability, and commitment to the nation's founding ideals;

9. Pursuant to President Trump's Executive Order *Exclusions from Federal Labor-Management Relations Programs*, OPM issued guidance and provided support to national security agencies in ending collective bargaining that wasted untold millions in taxpayer monies and hurt our nation's safety and security;
10. OPM unveiled an Online Retirement Application, an historic accomplishment that previous administrations had been unable to achieve;
11. OPM is currently in the process of procuring a best-in-class HR IT system for the federal government, replacing hundreds of outdated, overlapping systems with the goal of improving efficiency, saving billions of taxpayer dollars, and allowing OPM to more seamlessly implement talent-related policies; and
12. OPM held a record number of Chief Human Capital Officer Council meetings to ensure efficient implementation of these changes.

These actions have led to the comprehensive transformation of the federal workforce to emphasize accountability, efficiency, and merit. They are fully aligned with the recommendations of the National Academy of Public Administration from its 2022 report *Elevating Human Capital: Reframing the U.S. Office of Personnel Management's Leadership Imperative*, and indeed have gone a long way to implement the following recommendations from that report (among others): “[r]eaffirm and broaden OPM’s role as an independent entity and leader for federal civilian human capital management and reinvigorate strategic human capital management”; “[r]eorient OPM’s policy development approach toward a proactive, systematic model that streamlines the federal human capital management system”; and “[p]romote OPM’s role in strategic human capital management by assisting agencies in effectively implementing federal human capital laws, regulations, and policy guidance, and enhancing federal human capital staff training.”

Reductions in Workforce – As the OIG notes, OPM experienced a significant reduction in workforce over the course of the year, ultimately expected to result in approximately one-third fewer employees than at the beginning of the year. As is consistent across the federal government, nearly all of these reductions were voluntary, about half coming from the DRP.

Anytime organizations undergo restructurings there may be opportunities to re-visit particular staffing levels. Some organizations may still have more opportunities for re-alignment of headcount, while some may need to consider whether certain critical skills are lacking. We have been doing that at OPM and will continue to do so over the coming years as we transform the nature of the work we are doing and refine our key priorities.

I appreciate the OIG’s attention to this matter; however, the OIG’s examples do not support the assertion that workforce reductions have impaired OPM’s operational capacity. For example, the report notes that, as a result of changes in the Office of the Chief Information Officer (OCIO) organization, we may not be able to close as many open audit suggestions raised by the OIG. While this ultimately may be true, the assertion is speculative and assumes that closing

audit suggestions is more important than the critical role OCIO plays in helping OPM achieve its critical goals of enhancing its services to the American people, driving talent management across the federal government, and improving efficiency. These are the critical functions of OCIO.

I'm sure there are many good audit suggestions, but the success of OPM as an organization will be a function of the critical role OCIO plays in supporting those objectives, not whether it closes more (or fewer) audit recommendations. Further, I believe the limitation in closing open audit recommendations was not the number of staff members directly engaged in interfacing with OIG and OPM program offices regarding these recommendations, but the prioritization of these tasks relative to other OPM priorities. As noted above, I am committed to communicating with the OIG regarding important audit recommendations, and in raising the visibility of these recommendations via the Privacy & Risk Management Office and Risk Management Council.

More significantly, I do not believe that a single top management challenges report from the OIG in prior years mentions the amount of taxpayer dollars OPM may have wasted by continually increasing its staffing on an annual basis. Criticizing the headcount changes OPM experienced this year presumes OPM was at optimal staffing levels in the years prior to these changes and that reductions were whimsically enacted; neither are valid starting assumptions.

OPM headcount has grown in recent years to a wasteful level, providing services far in excess of what was required to meet statutory requirements and to serve customers efficiently. OPM leadership conducted a deep review of all functions, determining whether OPM should be in the business of providing a particular service, and if so, determining the appropriate staffing level. We exited some business lines entirely and have increased investment in other areas. Optimizing headcount and organizational structure is an ongoing exercise for any enterprise, but I believe we are much more appropriately staffed than we were at the start of this administration.

The words "efficiency" and "stewards of taxpayer dollars" do not appear in any meaningful way in prior year OIG reports. And, despite increasing headcount regularly, many of the same top challenges appear in previous years, suggesting that doing more of the same – utilizing headcount to address challenges – bears a fresh look.

With respect to Retirement Services, the OIG notes that a reduced workforce "could affect" the ability to respond to call volumes. Again, call volumes and response times have remained elevated all prior years with no discernible changes despite continuing to add headcount to the organization. It begs the question of whether one should consider other means of addressing these challenges instead of more headcount; nowhere does the OIG report address this. It's also important to note that the 100-person reduction in Retirement Services reflects an approximate 10% change in the size of the organization, orders of magnitude smaller than the overall reductions experienced in other areas of OPM. This is not by accident, but a result of the deliberate approach that has been outlined above.

None of this is to say OPM does not have a lot of work to do in many of the areas noted in the report. But focusing on headcount alone has proven not to address most of the challenges highlighted in prior years. Organizational changes, technology modernization, prioritization of resources, etc. – these are the things OPM needs to explore to try to make meaningful improvements to its overall service delivery capabilities.

Trust Funds – The OIG correctly notes that OPM serves as a fiduciary of the annuity and health/life insurance trust funds we manage on behalf of federal employees and annuitants. We take that role very seriously and agree with the OIG about the centrality of this mission. We appreciate OIG’s acknowledgment that “OPM appears to have successfully established the PSHBP while safeguarding the stability of the FEHBP” and that the FEHBP/PSHBP open season was “an overall success.”

However, we do not agree with the statement that “OPM has not ensured that the PSHBS will remain fully staffed, supported and funded during OPM workforce optimizations.” This assertion is predicated on the past administration’s guess on how many people they needed to support the PSHBP. As noted above, we have taken time to review, analyze, and meet with our teams managing the PSHBP and staffing levels as needed.

No doubt, OPM has lots of work to do in improving the service delivery and operations of PSHBP. The current system was stood up under very tight timeframes with substantially less resources than Congress had originally appropriated, and OPM has successfully managed the PSHBP thus far. Nonetheless, we recognize the opportunities for continued improvement.

FEHB Costs – Rightly so, the OIG recognizes that FEHB costs are high. Granted OPM has been able to maintain premium increases at levels below or consistent with national averages but continued increases at these levels remain a significant burden on federal employees.

To that end, OPM is working on several initiatives – in coordination with the broader Trump Administration – to address both pharmaceutical and service delivery costs. Historically, OPM has not had the ability to review claims expenses in sufficient detail to make meaningful reductions in fraud, waste, abuse and to create price transparency in ways that can help control costs. The drug pricing MFN changes the Trump Administration is enacting also need to be rolled out across FEHB to help control the very rapid price inflation the system has been experiencing.

We simply can’t keep doing the same things we have been doing for years on end; significant changes are required to better serve our constituents. I don’t want to pretend we can waive a magic wand to get there; these changes will take sustained efforts over time to fundamentally reform a broken health care insurance system.

As noted in the report, OPM did receive funding through the One Big Beautiful Bill to conduct enrollment verification on FEHB. This will help ensure the system covers those who are in fact eligible for health care services. The work to implement this is now kicking off.

Retirement Services – For too long, the federal retirement system has been a manual, paper-based process that has underserved annuitants. This year we began a significant effort to

change that, starting with the Online Retirement Application – an electronic system to manage annuitant, HR, and payroll provider information required to enable OPM to adjudicate retirement claims. This is a great start, but we continue to have additional systems and modernization work left to get to full automation of the retirement process. We are wholly committed to this work, and more headcount is not the answer to the currently long application processing and call center wait times.

Given the volume of the DRP and other voluntary exits across the federal workforce this year, OPM's Retirement Services team does face higher than normal applications. We have a comprehensive approach to address this – increased use of technology; faster turnaround on interim pay; organizational changes to move employees to areas most in need of supplemental resources; better use of self-service in our call center operations; among other things. Nonetheless, given we are dealing with both paper-based and electronic-based applications and the sheer volume of applications we are receiving, we recognize that processing times are likely to increase in the short term.

As noted in the report, OPM also has more work to do on ensuring we minimize any improper payments in Retirement Services. This is also an area where technology and cross-agency coordination must be revisited, as our manual efforts can only take us so far. For example, we must make better use of other federal data sets (IRS, SSA, etc.) to protect against improper payments. We are just beginning our efforts in this area and there remains much work to be done.

OPM's Management Opportunities Going Forward – As we move into FY 2026, what do we see as the biggest opportunities to reimagine the work OPM is doing?

1. Creating a high-performance culture across government – The role federal employees play in delivering high quality services to the American people remains as critical as ever. To ensure the government can continue to attract and retain the very best people, we need to ensure employees can do their best work every day and be recognized. To that end, organizational changes to reduce bloat and make efficiency a first-class citizen in service of the American people, skills-based merit hiring, promotion principles, and a performance management system that drives meaningful distinction for those truly excelling and holds accountable those who are not delivering are needed more than ever. OPM intends to help drive these changes throughout government.
2. Improving service delivery and efficiency both within OPM and across government – We've noted previously the key work OPM is doing to improve service delivery on Retirement Services, ensure the integrity of the various trust funds it manages, and make healthcare affordable and high quality for the millions of federal employees and annuitants. In addition, OPM is undertaking significant efforts to improve the quality and efficiency of talent-related services across government. This year, we are starting with an HRIT consolidation initiative across government to increase how we serve federal talent and decrease the costs of doing so. In addition, we are embarking on an effort to re-look at all aspects of talent management across the government and

determine where OPM can create centralized centers of excellence by consolidating service delivery that is scattered across disparate agencies. In doing so, we aim to create a world-class talent management organization and to substantially reduce duplicate costs and resources that are not well optimized.

3. Ensuring the government succeeds in an AI-first world – The rate of technological advancement continues unabated, and the federal government must address talent gaps in these areas or risk being left behind. We know AI will change the nature of how government – and the private sector – work in the future. To be prepared for this, the federal government needs to address talent shortages in critical areas of technology. OPM intends to help drive these changes across government.

In summary, I agree that we at OPM have lots of challenges and opportunities to improve the things we do today and to help transform and modernize service delivery both within OPM and across government. I remain very excited about these opportunities and look forward to working with the OIG in support of these initiatives.